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U.S. Department of Agriculture

VOL. 2

1990 BUDGET EXPLANATORY NOTES FOR COMMITTEE ON APPROPRIATIONS

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Agricultural Marketing Service
Funds for Strengthening Markets,
Income, and Supply (Section 32)
Office of Transportation
Federal Grain Inspection Service
Agricultural Cooperative Service
Packers and Stockyards Administration
Food Safety and Inspection Service

Economic Research Service
National Agricultural Statistics Service
World Agricultural Outlook Board

Office of International
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Foreign Agricultural Service
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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Purpose Statement

The Animal and Plant Health Inspection Service (APHIS) was established by the Secretary of Agriculture on April 2, 1972, under the authority of the Reorganization Plan No. 2 of 1953 and other authorities. The primary mission of APHIS is to protect the animal and plant resources of the Nation from diseases and pests in order to preserve the marketability of U.S. agricultural products within this country and abroad. The mission is carried out under three major areas of activity:

1. Animal and plant disease and pest control: The Agency conducts inspection and quarantine activities at U.S. ports-of-entry to prevent the introduction of exotic animal and plant diseases and pests; survey, diagnostic, and inspection activities in the United States to locate and prevent the spread of agricultural pests and diseases; control and eradication programs to combat new endemic infestations and animal diseases that threaten the United States. The Agency also participates in inspection, survey, and control activities in foreign countries to reinforce its domestic activities.
2. Animal damage control: The Agency carries out a cooperative program to reduce agricultural losses caused by predatory animals, birds, and rodents; conducts control operations for target species on Federal, State, and private lands; provides technical assistance to other cooperators such as States, counties, and farmer or rancher groups; and conducts applied research aimed at reducing economic damage from vertebrate animals.
3. Other regulatory activities: The Agency performs other regulatory activities, including the development of standards for and licensing and testing of veterinary biologicals to ensure their safety and effectiveness; inspection of certain establishments which handle animals intended for research, exhibition, and pet purposes, to ensure their humane treatment; regulation of the import and export of endangered species; and regulation of biotechnology products.

As of September 30, 1988, there were 4,777 permanent full-time and 1,115 part-time employees. Of the total, 725 full-time employees and 87 part-time employees work in central offices in the Washington metropolitan area. The field activities are managed on a national basis through 10 regional offices and 110 area offices. Much of the work is conducted in cooperation with State and local agencies, private groups, and foreign governments. Most of the Service's work is conducted at field locations in the 50 States, Puerto Rico, Virgin Islands, Mexico, and Central America.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Available Funds and Staff-Years1988 Actual and Estimated, 1989 and 1990

	1988		1989		1990	
	Actual		Estimated		Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Salaries and Expenses.....	\$329,330,000:	5,244:	\$331,207,000:	5,244:	\$332,756,000:	5,156
Buildings and Facilities.....	2,246,000:	--	2,546,000:	--	15,172,000:	--
Obligations under other						
USDA Appropriations						
Agricultural Cooperative						
Service for						
administrative support....	130,000:	3:	130,000:	3:	130,000:	3
Agricultural Marketing						
Service for						
administrative support						
and tobacco sample						
analysis.....	2,743,911:	16:	2,744,000:	16:	2,744,000:	16
Agricultural Research						
Service for administra-						
tive support, predator						
control, Veterinary						
Services, and Plant						
Protection and Quarantine:	308,359:	3:	308,000:	3:	308,000:	3
Agricultural Stabilization						
for Conservation Service						
for contamination and						
residue testing.....	71,000:	--	71,000:	--	71,000:	--
Federal Grain Inspection						
Service for administra-						
tive support.....	1,163,211:	8:	1,200,000:	8:	1,200,000:	8
Food Safety and Inspection						
Service for administra-						
tive support.....	23,039:	--	23,000:	--	23,000:	--
Human Nutrition Information:						
Service for administra-						
tive support.....	56,792:	1:	58,000:	1:	58,000:	1
National Agricultural						
Statistical Service for						
maintenance of data						
processing facilities....	11,080:	--	11,000:	--	11,000:	--
Office of International						
Cooperation and Develop-						
ment for employee						
services and training and						
animal damage control....	2,986,259:	12:	3,000,000:	12:	3,000,000:	12
Office of Inspector General:						
for administrative						
support.....	15,257:	--	15,000:	--	15,000:	--

	1988		1989		1990	
	Actual	Staff-	Estimated	Staff-	Estimated	Staff-
	Amount	Years	Amount	Years	Amount	Years
Office of Transportation for administrative support.....	130,000:	3:	130,000:	3:	130,000:	3
Packers and Stockyards Administration for administrative support...	298,884:	1:	300,000:	1:	300,000:	1
Foreign Agriculture Service: for administrative support.....	20,340:	--	20,000:	--	20,000:	--
Total, Agriculture Appropriations.....	339,534,132:	5,291:	341,763,000:	5,291:	355,938,000:	5,203
Other Federal Funds:						
Department of Energy for animal damage control activities.....	9,000:	--	9,000:	--	9,000:	--
Department of the Interior for animal damage control and research and Grasshopper control.....	263,002:	5:	263,000:	5:	263,000:	5
Department of Treasury for shuttle service.....	69,111:	2:	69,000:	2:	69,000:	2
Forest Service for gypsy moth control traps and sterility technique evaluation, administrative support and animal damage control:	186,378:	2:	186,000:	2:	186,000:	2
Environmental Protection Agency for Biotechnology..	75,800:	2:	76,000:	2:	76,000:	2
Tennessee Valley Authority for animal damage control activities.....	24,528:	--	17,000:	--	17,000:	--
U.S. Army for animal damage: control activities.....	423,068:	9:	423,000:	9:	423,000:	7
U.S. Navy for overtime quarantine inspection and: animal damage control.....	130,500:	--	131,000:	--	131,000:	1
Food and Drug Administra- tion for Biotechnology...	73,800:	2:	74,000:	2:	74,000:	2
National Institute of Health for Biotechnology..	58,800:	1:	59,000:	1:	59,000:	1
Total, Other Federal Funds..	1,313,987:	23:	1,307,000:	23:	1,307,000:	22
Non-Federal Funds:						
Funds derived from importers and exporters for import-export inspection, laboratory testing control and eradication services.....	13,215,533:	--	13,170,652:	--	13,402,000:	--
Funds from State and local governments for animal damage control activities:	3,951,437:	113:	4,231,561:	113:	4,000,000:	111

	1988		1989		1990	
	Actual		Estimated		Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Funds derived from States, local organizations and others for:						
Inspection, certification and quarantine of animal products.....	3,500:	--	3,500:	--	3,500:	--
Feed and attendants for animals in quarantine....	1,822,981:	22:	1,596,500:	22:	1,596,000:	22
Miscellaneous Contributed Funds.....	3,391,747:	31:	3,400,000:	31:	3,400,000:	31
Total, Non-Federal Funds.....	22,385,198:	166:	22,402,213:	166:	22,401,500:	164
Total, Animal and Plant Health Inspection Service..	363,233,317:	5,480:	365,472,213:	5,480:	379,646,500:	5,389

	FY 1988 Actual	FY 1989 Estimate	FY 1990 Estimate
Full-Time Equivalent Staff-Years:			
Ceiling	5,480	5,480	5,389
Non-Ceiling.....	324	324	324
Total.....	<u>5,804</u>	<u>5,804</u>	<u>5,713</u>

ANIMAL AND PLANT HEALTH INSPECTION SERVICE
Permanent Positions by Grade and Staff-Year Summary

1988 and Estimated 1989 and 1990

Grade	1988		1989		1990	
	Headquarters	Field	Headquarters	Field	Headquarters	Field
	Total	Total	Total	Total	Total	Total
ES-5	3	1:	3	1:	3	1:
ES-4	5	--:	5	--:	5	--:
ES-3	3	4:	3	4:	3	4:
ES-2	1	1:	1	1:	1	1:
ES-1	1	3:	1	3:	1	3:
GS/GM-15	35	24:	35	24:	34	24:
GS/GM-14	108	98:	108	98:	106	96:
GS/GM-13	81	170:	81	170:	80	167:
GS-12	86	496:	86	496:	85	488:
GS-11	50	436:	50	436:	49	429:
GS-9	45	901:	45	901:	44	886:
GS-8	6	11:	6	11:	6	11:
GS-7	60	620:	60	620:	59	610:
GS-6	63	118:	63	118:	62	116:
GS-5	86	449:	86	449:	85	442:
GS-4	50	382:	50	382:	49	376:
GS-3	21	49:	21	49:	21	48:
GS-2	5	2:	5	2:	5	2:
Other Graded Positions.....	5	121:	5	121:	5	119:
Ungraded Positions.....	15	315:	15	315:	14	308:
Total Permanent Positions..	729	4,201:4,930:	729	4,201:4,930:	717	4,131:4,848
Staff Years:						
Ceiling.....	810	4,670:5,480:	810	4,670:5,480:	797	4,592:5,389
Non-Ceiling.....	48	276: 324:	48	276: 324:	48	276: 324
TOTAL.....	858	4,946:5,804:	858	4,946:5,804:	845	4,868:5,713

ANIMAL AND PLANT HEALTH INSPECTION SERVICE
CLASSIFICATION BY OBJECTS

1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation:			
Headquarters.....	\$21,137,104	\$22,076,000	\$21,859,000
Field.....	<u>123,447,264</u>	<u>127,279,000</u>	<u>125,942,000</u>
11 Total personnel compensation.....	144,584,368	149,355,000	147,801,000
12 Personnel benefits.....	27,688,460	28,602,000	28,304,000
13 Benefits for former personnel.....	<u>140,766</u>	<u>145,000</u>	<u>144,000</u>
Total personnel compensation and benefits.....	172,413,594	178,102,000	176,249,000
Other Objects:			
21 Travel.....	12,273,770	12,687,000	12,546,000
22 Transportation of things.....	3,703,969	3,826,000	3,786,000
23.2 Rental payments to others....	3,182,586	3,288,000	3,253,000
23.3 Communications, utilities, and miscellaneous charges..	12,068,263	12,466,000	12,337,000
24 Printing and reproduction....	832,222	860,000	851,000
25 Other services.....	56,537,092	58,105,557	57,794,000
26 Supplies and material.....	18,859,499	19,482,000	19,279,000
31 Equipment.....	13,025,000	13,455,000	13,315,000
32 Lands and structures.....	2,990,236	2,550,100	15,172,000
41 Grants, contributions, subsidies.....	29,897,328	29,890,000	30,434,000
42 Insurance claims and indemnities.....	3,308,638	3,290,000	2,902,000
43 Interest and dividends.....	9,803	10,000	10,000
Total other objects.....	<u>156,688,406</u>	<u>159,909,657</u>	<u>171,679,000</u>
Total direct obligations.....	<u><u>329,102,000</u></u>	<u><u>338,011,657</u></u>	<u><u>347,928,000</u></u>
Position Data:			
Average Salary, ES positions.....	\$71,557	\$74,240	\$74,491
Average Salary, GM/GS positions.....	\$26,740	\$27,743	\$27,831
Average Grade, GM/GS positions.....	8.64	8.64	8.64

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

The estimates include appropriation language for this item as follows (new language is underscored; deleted matter is enclosed in brackets):

Salaries and Expenses:

- For expenses, not otherwise provided for, including those pursuant to the Act of February 28, 1947, as amended (21 U.S.C. 114b-c), necessary to prevent, control, and eradicate pests and plant and animal diseases; to carry out inspection, quarantine, and regulatory activities; to discharge the authorities of the Secretary of Agriculture under the Act of March 2, 1931 (46 Stat. 1468; 7 U.S.C. 426-426b); and to protect the environment, as authorized by law, [\$331,207,000] \$332,756,000; of which \$4,500,000 shall be available for the control of outbreaks of insects, plant diseases, animal diseases and for control of pest animals and birds to the extent necessary to meet emergency conditions: Provided, [That
- 1 \$1,000,000 of the funds for control of the fire ant shall be placed in reserve for matching purposes with States which may come into the program: Provided further,] That no funds shall be used to formulate or administer a brucellosis eradication program for the current fiscal year that does not require minimum matching by the States of at least 40 per centum: Provided further, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$40,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That this appropriation shall be available for the operation and maintenance of aircraft and the purchase of not to exceed two, of which one shall be for replacement only: Provided further, That uniform allowances for each uniformed employee of the Animal and Plant Health Inspection Service shall not be in excess of \$400 annually: Provided further, That not to exceed \$5,000 shall be available for representation allowances not otherwise provided:
 - 2 Provided further, That, in addition, in emergencies which threaten any segment of the agricultural production industry of this country, the Secretary may transfer from other appropriations or funds available to the agencies or corporations of the Department such sums as he may deem necessary, to be available only in such emergencies for the arrest and eradication of contagious or infectious diseases or pests of animals, poultry, or plants, and for expenses in accordance with the Act of February 28, 1947, as amended, and section 102 of the Act of September 21, 1944, as amended, and any unexpended balances of funds transferred for such emergency purposes in the next preceding fiscal year shall be merged with such tranferred amounts.

The first change eliminates the language that places funds in reserve for the imported fire ant control matching program. APHIS would enter into cooperative agreements with States to conduct regulatory and survey activities.

The second change allows APHIS to use up to \$5,000 of available funds for a representation allowance extending courtesies to foreign animal and plant pest program personnel visiting the United States. APHIS is now authorized 125 foreign service positions to further agricultural health protection and promote access to foreign markets. Agency personnel are actively seeking to improve relationships with scientists, regulatory, and marketing officials in all countries, to facilitate pest information exchange and the orderly flow of trade in agricultural commodities. Efforts are intended to keep pests outside United States borders, ship pest-free commodities, zero in on high risk shipments at origin, facilitate traffic flow at ports-of-entry, and monitor and report on foreign pest conditions.

Improved relationships, cooperative understandings, and communication about the presence and distribution of pests promote the increased flow of exports and decrease the risk of pest introduction from imports. To do this, there must be increased liaison with the foreign countries and international organizations interested in animal and plant protection and quarantine activities. As a result, there are occasions where protocol calls for providing courtesies to these representatives. APHIS currently has authority for representation allowances in foreign countries. The proposal will allow expenditures for representation in the United States. This change would be implemented within available funding; no increase in funding would be necessary.

SALARIES AND EXPENSES-CURRENT LAW

Appropriation Act, 1989.....	\$331,207,000
Budget Estimate, Current Law, 1990.....	332,756,000
Increase in Appropriation.....	<u>+1,549,000</u>

Adjustments in 1989:

Appropriation Act, 1989.....	\$331,207,000
Activities previously financed by Department of State ^{a/}	160,000
Adjusted base for 1989.....	331,367,000
Budget Estimate, Current Law, 1990.....	332,756,000
Increase over adjusted, 1989.....	<u>+1,389,000</u>

a/ For FY 1990, amounts for services provided to other agencies under the Department of State's Foreign Affairs Administrative Support System (FAAS) will be financed on a reimbursable basis by the agencies receiving these services. The Department of State will continue to provide these services.

SALARIES AND EXPENSES-PROPOSED LEGISLATION

Budget Estimate, Current Law, 1990.....	\$332,756,000
Change due to proposed legislation.....	-68,056,000
Net Request, President's 1990 Budget Request.....	<u>264,700,000</u>

SUMMARY OF INCREASES AND DECREASES-CURRENT LAW
 (on basis of adjusted appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
International			
Programs.....	\$2,361,000	-\$208,000	\$2,153,000
Pest Detection.....	4,197,000	-269,000	3,928,000
Biological Control..	4,318,000	+2,382,000	6,700,000
Golden Nematode.....	950,000	-150,000	800,000
Grasshopper and Mormon Cricket....	8,850,000	-2,900,000	5,950,000
Honey bee pest.....	0	+500,000	500,000
Mediterranean fruit fly.....	9,856,000	+544,000	10,400,000
Mexican fruit fly...	1,553,000	+329,000	1,882,000
Pink Bollworm.....	1,700,000	-620,000	1,080,000
Animal Disease			
Detection.....	4,800,000	+1,189,000	5,989,000
Cattle Ticks.....	6,258,000	-2,065,000	4,193,000
Pseudorabies.....	2,672,000	-272,000	2,400,000
Tuberculosis			
Eradication.....	3,889,000	-388,000	3,501,000
Animal Welfare.....	6,197,000	+1,370,000	7,567,000
Animal damage control.....	25,618,000	+4,197,000	29,815,000
Biotechnology.....	4,500,000	+500,000	5,000,000
Imported fire ant...	5,000,000	-2,750,000	2,250,000
Unobligated Balance			
Available.....	-1,872,141	+1,872,141	0
All other.....	<u>240,520,141</u>	<u>-1,872,141</u>	<u>238,648,000</u>
Total Available...	<u>\$331,367,000</u>	<u>+\$1,389,000</u>	<u>\$332,756,000</u>

PROJECT STATEMENT-Current Law
(On basis of adjusted appropriation)

PROJECT	1988		1989		Increase/ Decrease	1990	
	Actual Amount	Staff- Years	Estimated Amount	Staff- Years		Estimated Amount	Staff- Years
1. Plant disease and pest control:							
Agricultural quarantine inspection.....	60,040,000:	1,713:	66,468,000:	1,783:	--:	66,468,000:	1,752
International programs.....	2,153,000:	26:	2,361,000:	26:	-208,000:	2,153,000:	24
Pest detection.....	3,928,000:	47:	4,197,000:	47:	-269,000:	3,928,000:	44
Plant protection programs:							
Africanized honey bee.....	--:	--:	1,950,000:	10:	--:	1,950,000:	10
Biocontrol.....	4,318,000:	99:	4,318,000:	99:	+2,382,000:	6,700,000:	132
Boll weevil.....	12,079,000:	102:	9,600,000:	102:	--:	9,600,000:	99
Golden nematode....	1,018,000:	18:	950,000:	18:	-150,000:	800,000:	15
Grasshopper & Mormon cricket..	8,850,000:	49:	8,850,000:	49:	-2,900,000:	5,950,000:	33
Gypsy moth.....	5,442,000:	130:	5,442,000:	120:	--:	5,442,000:	118
Honey bee pest....	--:	--:	--:	--:	+500,000:	500,000:	6
Imported fire ant..	5,000,000:	56:	5,000,000:	46:	-2,750,000:	2,250,000:	21
Mediterranean fruit fly.....	9,706,000:	79:	9,856,000:	79:	+544,000:	10,400,000:	91
Mexican fruit fly..	1,553,000:	24:	1,553,000:	24:	+329,000:	1,882,000:	29
Miscellaneous plant pests.....	1,124,000:	15:	1,124,000:	15:	--:	1,124,000:	15
Noxious weeds.....	443,000:	5:	597,000:	5:	--:	597,000:	5
Pink bollworm.....	1,700,000:	36:	1,700,000:	36:	-620,000:	1,080,000:	23
Witchweed.....	5,281,000:	66:	5,281,000:	66:	--:	5,281,000:	65
Total, Plant disease and pest control.....	122,635,000:	2,465:	129,247,000:	2,525:	(1): -3,142,000:	126,105,000:	2,482
2. Animal disease and pest control:							
Animal disease detection.....	3,052,000:	35:	4,800,000:	45:	+1,189,000:	5,989,000:	53
Animal health compliance and enforcement.....	14,694,000:	394:	14,694,000:	394:	--:	14,694,000:	394
Import-export inspection.....	8,604,000:	192:	8,604,000:	192:	--:	8,604,000:	192
International programs.....	2,151,000:	15:	2,151,000:	15:	--:	2,151,000:	15
Veterinary biologics:	8,641,000:	165:	8,641,000:	185:	--:	8,641,000:	185
Veterinary diagnostics.....	10,867,000:	175:	12,371,000:	175:	--:	12,371,000:	175
Animal health programs:							
Brucellosis.....	65,617,000:	687:	55,841,000:	575:	--:	55,841,000:	575
Cattle ticks.....	6,258,000:	167:	6,258,000:	167:	-2,065,000:	4,193,000:	118
Foot-and-mouth disease (Darren Gap)...	3,053,000:	7:	3,053,000:	7:	--:	3,053,000:	7
Miscellaneous animal disease:	1,998,000:	12:	1,998,000:	12:		1,998,000:	12
National Poultry Improvement plan.....	219,000:	2:	219,000:	2:	--:	219,000:	2
Poultry diseases:	825,000:	7:	643,000:	7:	--:	643,000:	7
Pseudorabies.....	2,400,000:	21:	2,672,000:	21:	-272,000:	2,400,000:	21
Screwworm.....	32,045,000:	72:	32,045,000:	72:	--:	32,045,000:	72
Swine health protection.....	3,265,000:	84:	3,265,000:	84:	--:	3,265,000:	84
Tuberculosis eradication.....	3,389,000:	37:	3,889,000:	37:	-388,000:	3,501,000:	37
Animal welfare.....	6,197,000:	133:	6,197,000:	140:	+1,370,000:	7,567,000:	155
Horse protection.....	161,000:	9:	161,000:	4:	--:	161,000:	4
Total, Animal disease and pest control.....	173,436,000:	2,214:	167,502,000:	2,134:	(2): -166,000:	167,336,000:	2,108

		1988		1989		1990	
		Actual		Estimated		Estimated	
PROJECT		Amount	Staff- Years	Amount	Staff- Years	Increase/ Decrease	Amount Staff- Years
3.	Animal Damage Control..	24,919,000:	528:	25,618,000:	538:	+4,197,000(3)	29,815,000: 519
4.	Biotechnology.....	4,000,000:	37:	4,500,000:	47:	+500,000(4)	5,000,000: 47
5.	Contingencies:	:	:	:	:	:	:
	(a) Plant disease and:	:	:	:	:	:	:
	pest control...	2,250,000:	--:	2,250,000:	--:	--	2,250,000: --
	(b) Animal disease	:	:	:	:	:	:
	and pest control:	2,250,000:	--:	2,250,000:	--:	--	2,250,000: --
	Total, Contingencies..	4,500,000:	--:	4,500,000:	--:	--	4,500,000: --
Total, Available or		:	:	:	:	:	:
	estimate	:	:	:	:	:	:
	appropriated funds....	329,490,000:	5,244:	331,367,000:	5,244:	+1,389,000	332,756,000: 5,156
6.	Advances and	:	:	:	:	:	:
	Reimbursements:	:	:	:	:	:	:
	(a) Plant disease and:	:	:	:	:	:	:
	pest control....	18,602,227:	37:	18,602,227:	37:	--	18,602,227: 34
	(b) Animal disease and	:	:	:	:	:	:
	pest control....	2,314,329:	11:	2,314,329:	11:	--	2,314,329: 11
	(c) Animal damage	:	:	:	:	:	:
	control.....	5,314,133:	130:	5,594,257:	130:	--	5,594,257: 130
	(d) Biotechnology....	208,400:	5:	208,400:	5:	:	208,400: 5
Total, Advances		:	:	:	:	:	:
	and reimbursements.....	26,439,089:	183:	26,719,213:	183:	--	26,719,213: 180
Total, Available or		:	:	:	:	:	:
	estimate.....	355,929,089:	5,427:	358,086,213:	5,427:	+1,389,000	359,475,213: 5,336
Receipts from Advances		:	:	:	:	:	:
	and reimbursements.....	-26,439,089:	-183:	-26,719,213:	-183:	--	-26,719,213: -180
Total, Available or		:	:	:	:	:	:
	estimate.....	329,490,000:	5,244:	331,367,000:	5,244:	+1,389,000	332,756,000: 5,156
Transfer from State		:	:	:	:	:	:
	Department.....	-160,000:	:	-160,000:	:	:	:
Total, Appropriation.....		329,330,000:	:	331,207,000:	:	:	:

PROJECT STATEMENT-Current Law
(On basis of available funds)

PROJECT	1988		1989		Increase/ Decrease	1990	
	Actual Amount	Staff- Years	Estimated Amount	Staff- Years		Estimated Amount	Staff- Years
1. Plant disease and pest control:							
Agricultural quarantine inspection.....	59,563,403:	1,713:	66,468,000:	1,783:	--:	66,468,000:	1,752
International programs.....	2,330,409:	26:	2,361,000:	26:	-208,000:	2,153,000:	24
Pest detection.....	4,545,702:	47:	4,197,000:	47:	-269,000:	3,928,000:	44
Plant protection programs:							
Africanized honey bee.....	--:	--:	1,950,000:	10:	--:	1,950,000:	10
Biocontrol.....	4,319,370:	99:	4,318,000:	99:	+2,382,000:	6,700,000:	132
Boll weevil.....	12,279,383:	102:	9,600,000:	102:	--:	9,600,000:	99
Golden nematode....	964,786:	18:	950,000:	18:	-150,000:	800,000:	15
Grasshopper and Mormon cricket ^{a/}	7,016,338:	49:	12,709,326:	49:	-6,759,326:	5,950,000:	33
Gypsy moth.....	5,859,439:	130:	5,442,000:	120:	--:	5,442,000:	118
Honey bee pest....	--:	--:	--:	--:	+500,000:	500,000:	6
Imported fire ant.	3,379,536:	56:	5,000,000:	46:	-2,750,000:	2,250,000:	21
Mediterranean fruit fly.....	9,804,084:	79:	9,856,000:	79:	+544,000:	10,400,000:	91
Mexican fruit fly..	1,951,680:	24:	1,553,000:	24:	+329,000:	1,882,000:	29
Miscellaneous plant pests.....	1,123,121:	15:	1,124,000:	15:	--:	1,124,000:	15
Noxious weeds.....	437,004:	5:	597,000:	5:	--:	597,000:	5
Pink bollworm.....	1,698,403:	36:	1,700,000:	36:	-620,000:	1,080,000:	23
Witchweed.....	5,265,156:	66:	5,281,000:	66:	--:	5,281,000:	65
Total, Plant disease and pest control.....	120,537,814:	2,465:	133,106,326:	2,525:	(1): -7,001,326:	126,105,000:	2,482
2. Animal disease and pest control:							
Animal disease detection.....	3,781,246:	35:	4,800,000:	45:	+1,189,000:	5,989,000:	53
Animal health compliance and enforcement.....	15,952,771:	394:	14,694,000:	394:	--:	14,694,000:	394
Import-export inspection.....	8,988,566:	192:	8,604,000:	192:	--:	8,604,000:	192
International programs.....	1,845,164:	15:	2,151,000:	15:	--:	2,151,000:	15
Veterinary biologics:	8,129,734:	165:	8,641,000:	185:	--:	8,641,000:	185
Veterinary diagnostics.....	12,235,868:	175:	12,371,000:	175:	--:	12,371,000:	175
Animal health programs:							
Brucellosis.....	63,981,356:	687:	55,841,000:	575:	--:	55,841,000:	575
Cattle ticks.....	6,319,650:	167:	6,258,000:	167:	-2,065,000:	4,193,000:	118
Foot-and-mouth disease (Darren Gap)...	2,997,000:	7:	3,053,000:	7:	--:	3,053,000:	7
Miscellaneous animal diseases.....	1,523,028:	12:	1,998,000:	12:		1,998,000:	12
National Poultry Improvement Plan.....	166,743:	2:	219,000:	2:	--:	219,000:	2
Poultry diseases.....	606,910:	7:	643,000:	7:	--:	643,000:	7
Pseudorabies.....	2,510,059:	21:	2,672,000:	21:	-272,000:	2,400,000:	21
Screwworm.....	31,210,749:	72:	32,045,000:	72:	--:	32,045,000:	72
Swine health protection....	3,486,045:	84:	3,265,000:	84:	--:	3,265,000:	84
Tuberculosis eradication...	2,402,328:	37:	3,889,000:	37:	-388,000:	3,501,000:	37
Animal welfare.....	6,644,006:	133:	6,197,000:	140:	+1,370,000:	7,567,000:	155
Horse protection.....	344,875:	9:	161,000:	4:	--:	161,000:	4
Total, Animal disease and pest control.....	173,126,098:	2,214:	167,502,000:	2,134:	(2): -166,000:	167,336,000:	2,108

PROJECT	1988		1989		Increase/ Decrease	1990	
	Actual	Staff-	Estimated	Staff-		Estimated	Staff-
	Amount	Years	Amount	Years		Amount	Years
3. Animal Damage Control..	24,702,366:	528:	25,618,000:	538:	+4,197,000(3):	29,815,000:	519
4. Biotechnology.....	3,481,244:	37:	4,500,000:	47:	+500,000(4):	5,000,000:	47
5. Contingencies:	:	:	:	:	:	:	:
(a) Plant disease and:	:	:	:	:	:	:	:
pest control....	4,264,769:	--:	2,368,231:	--:	-118,231	2,250,000:	--
(b) Animal disease	:	:	:	:	:	:	:
and pest control:	--:	--:	2,367,000:	--:	-117,000	2,250,000:	--
Total, Contingencies ^{b/}	4,264,769:	--:	4,735,231:	--:	-235,231	4,500,000:	--
Unobligated balance avail-:	:	:	:	:	:	:	:
able, start-of-year.....	-1,872,141:	--:	-4,378,822:	--:	+4,378,822	--:	--
Unobligated balance avail-:	:	:	:	:	:	:	:
able, end-of-year.....	4,378,822:	--:	--:	--:	--	--:	--
Unobligated balance	:	:	:	:	:	:	:
lapsing.....	1,151,152:	--:	--:	--:	--	--:	--
Total Available or	:	:	:	:	:	:	:
estimate, appropriated	:	:	:	:	:	:	:
funds.....	329,770,124:	5,244:	331,082,735:	5,244:	+1,673,265	332,756,000:	5,156
6. Advances and	:	:	:	:	:	:	:
Reimbursements:	:	:	:	:	:	:	:
(a) Plant disease and:	:	:	:	:	:	:	:
pest control....	18,602,227:	37:	18,602,227:	37:	--	18,602,227:	34
(b) Animal disease and	:	:	:	:	:	:	:
pest control....	2,314,329:	11:	2,314,329:	11:	--	2,314,329:	11
(c) Animal damage	:	:	:	:	:	:	:
control.....	5,314,133:	130:	5,594,257:	130:	--	5,594,257:	130
(d) Biotechnology....	208,400:	5:	208,400:	5:	--	208,400:	5
Total, Advances	:	:	:	:	:	:	:
and reimbursements.....	26,439,089:	183:	26,719,213:	183:	--	26,719,213:	180
Total, Available or	:	:	:	:	:	:	:
estimate.....	356,209,213:	5,427:	357,801,948:	5,427:	+1,673,265	359,475,213:	5,336
Receipts from Advances	:	:	:	:	:	:	:
and reimbursements.....	-26,719,213:	-183:	-26,434,948:	-183:	-284,265	-26,719,213:	-180
Total, Available or	:	:	:	:	:	:	:
estimate.....	329,490,000:	5,244:	331,367,000:	5,244:	+1,389,000	332,756,000:	5,156
Transfer from State	:	:	:	:	:	:	:
Department.....	-160,000:	:	-160,000:	:	:	:	:
Total, Appropriation.....	329,330,000:	:	331,207,000:	:	:	:	:

a/ FY 1988 grasshopper carryover available from the prior year is \$1,868,041 and \$5,000,000 from the no-year fund.

FY 1989 grasshopper carryover available from the prior year is \$3,859,326 and \$5,000,000 from the no-year fund.

FY 1990 has no carryover and no-year funds available for grasshopper.

b/ FY 1988 contingency fund has a carryover available in FY 1989 of \$235,231.

EXPLANATION OF PROGRAM

The appropriation "Salaries and Expenses" for the Animal and Plant Health Inspection Service (APHIS) funds the following activities:

1. Plant disease and pest control--In cooperation with the States, APHIS carries out surveys to detect harmful pests and diseases, inspections to prevent spread of plant pests to noninfested areas of the country, and programs to eradicate new or established plant pests and diseases. An inspection program at ports of entry prevents the introduction of foreign plants and animal pests and diseases which are harmful to agriculture in the United States. APHIS also certifies plants and plant products for export and regulates imports and exports of designated endangered plant species.

The statutory authority supporting this program is contained in 7 U.S.C. 7-7b, 8, 11, 15, 17, and 55; and 49 U.S.C. 20. The principal legislative authority for these activities is the Organic Act of 1944, as amended by P.L. 94-231, enacted March 15, 1976. The authority to control noxious weeds was enacted under P.L. 92-629, dated January 3, 1975. The Department's enforcement responsibilities for endangered plants are contained in the Endangered Species Act of 1973. The Airport and Airways Development Act, P.L. 94-353, Section 15(c), was enacted July 12, 1976.

The levels of plant disease and pest control detection activities are shown by the selected examples that follows:

	1988 Actual	1989 Estimate	1990 Estimate
Cumulative acres treated (thousands):			
Boll weevil (High Plains).....	663	750	800
Boll weevil (SE eradication).....	4,285	2,150	275
Boll weevil (SW eradication):			
Expanded eradication zone.....	883	500	190
Eradicated zone.....	18	--	--
Buffer zone.....	10	--	--
Grasshopper.....	513	3,000	--
Gypsy moth.....	33	11	--
Imported fire ant.....	--	--	--
Sterile insects released (millions):			
Mexican fruit fly.....	874	1,040	1,040
Pink bollworm.....	738	757	757
Mediterranean fruit fly (Mexico and Central America).....	29,900	33,800	33,800
Parasites released (thousands):			
Alfalfa weevil.....	420	189	50
Aphid predators.....	115	200	320
Colorado potato beetle.....	1,200	1,200	1,400
Diffuse and spotted knapweed.....	10,600	9,000	10,000
Leafy spurge.....	--	5	10
Total acres released from quarantine through eradication:			
Gypsy Moth (Oregon).....	650	--	--
Witchweed.....	15,382	13,000	11,000
Environmental monitoring and methods development:			
Imported fire ant:			
Sites monitored.....	15	50	50
Test plots conducted.....	57	70	70
Alternate chemicals/materials screened.....	44	50	50
Plant health emergency:			
Mediterranean fruit fly (California):			
Sterile insects released (millions).....	700	1,500	--

The level of activity for agricultural quarantine inspection is as follows:

	1988 <u>Actual</u>	1989 <u>Estimate</u>	1990 <u>Estimate</u>
Plant and animal product and byproduct inspection:			
Airplanes (thousands).....	294	297	300
Vessels (thousands).....	49	50	51
Plant units processed (millions)....	313	315	318
Regulated and Miscellaneous cargo inspections conducted (thousands)...	907	920	926
Phytosanitary export certification:			
Certificates issued (thousands)...	170	172	174
Interceptions (thousands):			
Unauthorized plant material.....	1,373	1,375	1,400
Unauthorized animal products/byproducts.....	181	183	187
Unauthorized material:			
Mail.....	8.9	9.0	9.1
Baggage.....	1,113	1,120	1,123

2. Animal disease and pest control--APHIS conducts programs to prevent communicable diseases of foreign origin from entering the United States; rapidly diagnose foreign animal diseases, should they enter this country; and prevent the spread of diseases through interstate shipments of livestock or distribution of impure, unsafe, impotent, and nonefficacious veterinary biologics. In cooperation with States, the Agency conducts other programs to control and eradicate livestock diseases present in this country including new outbreaks of economic significance for which the Secretary of Agriculture declares a national emergency. The animal welfare program is designed to ensure humane care and handling of approximately 40 million warmblooded animals and restricts animal fighting ventures. The horse protection program is concerned with the practice of soring horses so as to affect their gait.

The statutory authority for this work is contained in 7 U.S.C. 15, 17, 30, 54, 429, and 3801; 15 U.S.C. 44; 19 U.S.C. 4; 21 U.S.C. 4, 5, and 45; 46 U.S.C. 15; and 49 U.S.C. 20. Principal legislative authority for these activities is contained in the Act of May 29, 1884; Act of August 30, 1890; Act of February 2, 1903; Act of March 3, 1905; Tariff Act of June 17, 1930; Act of September 21, 1944; Act of February 28, 1947; Act of September 6, 1961; Act of July 2, 1962; The Animal Welfare Act; The Horse Protection Act; The Virus-Serum-Toxin Act of March 14, 1913; the Swine Health Protection Act of October 17, 1980; and Public Law 97-46 of September 25, 1981; Act of October 14, 1982; Act of January 13, 1983; Public Law 99-198 of December 23, 1985.

The levels of activity for the major animal disease and pest control programs are as follows:

	1988 <u>Actual</u>	1989 <u>Estimate</u>	1990 <u>Estimate</u>
Animal Disease Detection:			
National Animal Health Monitoring System (NAHMS):			
Number of States participating....	9	13	16
Percent of U.S. livestock population covered:			
Dairy.....	26	46	64
Beef-cow/calf.....	15	22	28
Swine.....	38	51	62
Sheep.....	21	26	35
Herds/Flocks participating			
Dairy.....	142	136	90
Beef-cow/calf.....	210	128	--
Swine.....	109	261	1,200
Sheep.....	14	14	--
Turkey.....	--	30	--
Herds/Flocks sampled			
Dairy.....	136	136	--
Beef-cow/calf.....	145	50	--
Swine.....	49	130	750
Sheep.....	14	14	--
Turkey.....	--	30	--
Reports generated.....	3	10	14
Reports distributed.....	6,715	7,500	9,000

	1988 Actual	1989 Estimate	1990 Estimate
Exotic diseases and parasites:			
Investigation of suspicious cases.	264	275	300
Confirmed primary outbreaks:			
Exotic Newcastle disease (VVND).	6	4	4
Screwworm detection and outbreak prevention.....	1	1	1
Animal Health Compliance and Enforcement:			
Inspections conducted at livestock markets and other concentration points.....	17,599	18,250	19,000
Inspections conducted at slaughter establishments.....	4,811	5,000	5,500
Cattle identified for disease surveillance (millions).....	11.9	12.0	12.2
Import Inspection:			
Animals (thousands).....	1,995	2,050	2,150
Personally owned pet birds.....	1,722	2,000	2,000
Commercial birds.....	401,000	600,000	600,000
Poultry (baby chicks & poults) (thousands).....	5,065	6,000	8,000
Poultry hatching eggs (thousands)...	15,945	17,000	18,000
Export Inspection:			
Cattle, swine, sheep, goats, and horses.....	422,224	430,668	439,281
Chickens (millions).....	44,283	45,169	46,072
Dozens of hatching eggs (millions)..	233,556	238,227	242,992
Bull Semen (thousands).....	41,167	42,402	43,674
Bovine Embryos (certified).....	12,967	14,264	15,690
International Programs:			
Number of vesicular disease investigations in Mexico and Central American countries.....	413	420	435
Veterinary Biologics:			
Number of serials processed.....	10,694	11,000	11,000
Percent of serials tested for:			
Potency.....	19.96	20	20
Purity.....	8.76	10	10
Sterility.....	10.30	12	12
Safety.....	.38	1	1
Chemistry.....	.56	1	1
Number of inspections:			
Indepth.....	43	40	45
Follow-up.....	12	10	15
Special.....	34	30	35
Veterinary Diagnostics:			
Number of import-export health requirement tests conducted, NVSL...	146,000	130,000	130,000
Number of import-export health requirement tests conducted, FADDL..	20,000	20,000	20,000
Number of fraudulent blood screening tests conducted.....	368,000	370,000	370,000
Number of diagnostic tests conducted at NVSL.....	340,000	340,000	340,000
Number of differential diagnostic tests conducted at NVSL.....	120,000	120,000	120,000
Volume of reagents shipped (ml):			
Shipped by NVSL.....	3,100,000	3,200,000	3,200,000
Shipped by FADDL.....	200,000	200,000	200,000
Number of days of training provided:			
International students.....	480	500	500
Domestic students.....	550	600	600
Brucellosis:			
Cattle:			
Market cattle identification reactor rate (%).....	.22	.20	.19
Class Free status States.....	29	34	40
Class Free and A status States.....	--	--	--
Class A status States.....	17	14	10

	1988 Actual	1989 Estimate	1990 Estimate
Class B status States.....	6	4	3
Class B & C status States.....	1	1	--
Class C status States.....	--	--	--
Total number of quarantined herds at end of year.....	2,497	2,122	1,910
Swine:			
Percentage of eligible slaughter swine sampled.....	45	70	72
States with zero infection.....	34	37	40
Cattle Ticks:			
Infested premises under treatment outside of quarantine zone at end of FY--Texas.....	2	4	4
Infested premises under treatment inside quarantine zone at end of FY--Texas.....	7	10	10
Premises freed of ticks--Puerto Rico	24,000	35,000	42,000
Foot-and-Mouth Disease (Darien Gap):			
Number of vesicular disease investigations in Panama and Colombia.....	191	210	240
Miscellaneous Animal Diseases:			
Scrapie:			
Number of infected flocks found...	52	65	45
Number of exposed flocks under surveillance.....	242	260	172
National Poultry Improvement Plan:			
Number of States classified as U.S. Pullorum Typhoid Clean.....	34	38	48
Number of egg and meat-type breeding flocks in Plan.....	3,805	3,850	3,700
Number of water fowl, exhibition poultry and game bird breeding flocks in Plan.....	2,863	3,100	3,500
Number of States classified as U.S. Mycoplasma Gallisepticum Clean (turkey).....	10	12	15
Pseudorabies:			
States included in the National pseudorabies eradication program..	21	30	35
Number of slaughter serum samples collected.....	151,460	175,000	150,000
Number of herds with one or more animals tested.....	92,012	107,347	92,000
Number of herds found infected.....	2,000	2,333	3,750
Screwworm:			
Cases in the United States.....	--	--	--
Cases in Mexican States bordering the United States.....	--	--	--
Sterile fly production--Tuxtla, Gutierrez, Mexico (millions weekly).....	250	250	250
Swine Health Protection:			
Number of garbage inspections.....	50,247	54,500	54,500
Number of violations of the SHP Act.....	1,777	2,016	2,000
Tuberculosis:			
States accredited free.....	37	40	41
Herds located.....	9	6	5
Herds depopulated (per year).....	4	4	4
Animal Welfare:			
Complaints investigated and resolved.....	951	1,000	925
Number of inspections conducted at licensees and/or registrants...	13,383	14,600	15,000
Number of inspections conducted at air terminals.....	2,643	2,750	2,750
Number of violations processed.....	411	575	575

	<u>1988 Actual</u>	<u>1989 Estimate</u>	<u>1990 Estimate</u>
Horse Protection:			
Staff days and/or nights of inspecting or monitoring horse shows and sales.....	540	575	575

3. Animal damage control--APHIS, under the authority of the Animal Damage Control Act of 1931, conducts research and carries out cooperative programs to control wildlife-caused losses to agriculture, safety hazards at airports, and public nuisances in urban areas.

The Animal Damage Control (ADC) program was transferred to APHIS on December 19, 1985, pursuant to Public Law 99-190; H.J. Res. 465, 99 Cong. 1st Sess. 1985. The transfer of personnel, property, records, and unexpended appropriations associated with the program was completed by April 1, 1986. The program had previously been located in the U.S. Department of the Interior, within the Fish and Wildlife Service. The basic program mission is to identify, demonstrate, and apply the best methods of controlling wildlife conflicts with agriculture and public safety, and to conduct programs to reduce such conflicts.

The levels of animal damage control activities are shown by the selected examples that follow:

	<u>1988 Actual</u>	<u>1989 Estimate</u>	<u>1990 Estimate</u>
Number of livestock protected:			
Sheep and goats.....	7,684,302	8,186,400	8,705,640
Cattle.....	10,608,711	10,957,680	11,425,948
Crop acres protected:			
Small grains.....	660,753	770,485	1,383,300
Sunflowers.....	274,161	278,000	278,000
Fruit and nut orchards.....	126,581	124,400	138,750
Hay, alfalfa, and pasture.....	283,110	345,050	410,200
Citrus.....	35,400	38,250	39,750
Corn.....	41,119	49,450	98,850
Soybeans.....	13,151	22,200	16,600
Vineyards.....	106,258	127,570	163,200
Range and forest acres protected:			
Range.....	8,328,550	8,539,100	8,763,200
Forest.....	1,104,072	1,143,880	1,179,600
Health and safety accomplishments:			
Airports (assistance with bird control).....	62	99	122
Rabies projects.....	23	30	37
Plague surveillance projects.....	263	362	466
Agency responded to the following number of requests for assistance:			
Agriculture.....	52,317	55,721	60,406
Urban interests.....	3,635	3,768	4,385
Human health and safety.....	14,647	16,255	18,862
Industrial facilities.....	515	534	621
Natural resources.....	316	328	381

GAO AUDITS

<u>Report No.</u>	<u>Title</u>	<u>Date Issued</u>
RCED-88-64BR	Biotechnology: Institutional Safety Committees	12/14/87
RCED-88-27	Biotechnology: Managing Risks of Field Testing Genetically-engineered Organisms	6/13/88
RCED-88-100	Animal Welfare Program (Transportation of Dogs)	3/21/88

OIG AUDITS

<u>Report No.</u>	<u>Title</u>	<u>Date Issued</u>
50661-2-SF	Contracting Officers Administration of Contracts	12/22/87
33615-2-HY	U.S.-Mexico Screwworm Program	6/30/88
27080-4-NY	Puerto Rico Block Grant-Tick Eradication	3/31/88
33099-07-HY	PPQ Pest Exclusion Activities	7/19/88
33545-3-HY	OMB A-76 Cost Estimated of Florida/New York Animal Import Centers	5/31/88

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net decrease of \$3,142,000 for plant disease and pest control activities, consisting of:

(a) An increase of \$2,382,000 for the biological control program (\$4,318,000 available in FY 1989).

Need for Change. The biological control program's goal is to reduce the nation's dependence on chemical pesticides in agriculture. APHIS provides leadership in the selection, development, and transfer of biological control technology. The Agency maintains laboratories in Texas, Michigan, and Montana where beneficial organisms are screened, reared and distributed. The program cooperates with the States, researchers, and private industry in developing controls for a variety of economically important pests including the Colorado potato beetle, alfalfa weevil, diffuse and spotted knapweed, and leafy spurge. There is growing concerns over the lasting impact of pesticide residues on the environment, escalating pest control costs, and pest resistance to existing pesticides. Much more needs to be done to discover and develop effective alternatives to pesticides as a measure of controlling plant pest problems. The use of the biological control techniques provides a less costly and less environmentally risky means of controlling pest populations, and will help assure the continued competitiveness of American agricultural products on world markets.

Nature of Change. The Agency, in cooperation with the Agricultural Research Service and the States, will intensify efforts to find a biological control agent capable of controlling the Russian wheat aphid which threatens small grains in 15 Western States. Programs to find biological controls for the Colorado potato beetle and leafy spurge will also be expanded.

In order to facilitate the discovery and development of other biological control agents, APHIS will establish the National Institute for Biological Control Implementation (NIBCI). The Institute will coordinate activities of researchers in State and Federal agencies, industry, and universities; and will develop national priorities in biological control. NIBCI would enable earlier initiation and timely completion of biological control projects, and would increase the likelihood of success for high payoff projects that emphasize permanent pest control without the burden of recurring annual costs.

- (b) An increase of \$500,000 to establish the honey bee pest program (\$0 available in FY 1989).

Need for Change. The approach of Africanized honey bees, the Varroa mite outbreak in FY 1988, and the honey bee tracheal mite outbreak in FY 1984, have caused widespread concern about protection for the honey bee industry. This industry is not adequately protected from honey bee pests and could potentially suffer reduced populations and significant economic losses. Honey bee owners often travel across State boundaries to pollinate crops. This travel is not subject to Federal regulations. The probability of infested bees spreading pests in the process of pollinating crops in other States is dangerously high. Honey bee population reductions would cause losses to every U.S. crop dependent on honey bees for pollination. Estimated value of the crops at risk is \$20 billion.

Nature of Change. APHIS would provide funds to assist States in dealing with current honey bee pests and to coordinate the development and implementation of a national honey bee certification program. The Agency will work with State governments to standardize procedures for certifying honey bees for interstate movement.

- (c) An increase of \$544,000 for the Mediterranean fruit fly program (\$9,856,000 available in FY 1989).

Need for Change. Funding is required to operate the new sterile fly rearing facility in Waimanalo, Hawaii, at the colony maintenance level of 50 million sterile flies per week. Construction on this facility began in November 1987, and is scheduled to be completed in FY 1989. It will be capable of producing Mediterranean fruit flies, Oriental fruit flies and melon flies, and have an overall production capacity of 500 million sterile flies per week.

Nature of Change: Once completed, the Waimanalo facility will be operated at a colony maintenance level of 50 million sterile Mediterranean fruit flies weekly. APHIS will pay for the operation of the facility on a standby basis and for 50 percent of the cost of sterile fly production in an emergency. Non-Federal cooperators will furnish the remaining funds.

- (d) An increase of \$329,000 for the Mexican fruit fly program (\$1,553,000 available in FY 1989).

Need for Change. The Mexican fruit fly (Mexfly) is a serious pest of citrus and mangoes, and is native to most of Mexico and Central America. Infestations of this pest occur annually in the lower Rio Grande Valley of Texas. Other citrus growing States, including Arizona, California, Florida, Louisiana, and New Mexico, are vulnerable to Mexfly infestations either by migration of these flies across the border with Mexico, or from infested fruit being shipped to or through these States.

In recent years, APHIS has worked in close cooperation with Mexico to prevent establishment of the Mexfly in northwestern Mexico where it would pose an immediate threat to U.S. citrus growing areas in California and Arizona. This cooperative undertaking includes survey activities, a continuous sterile fly release program and the maintenance of road stations to enforce quarantine regulations. Funding in past years has only covered program operations in the U.S. In FY 1988, APHIS redirected funds from other plant health activities to cover Mexfly program operations in Mexico that protect citrus growing areas in the U.S.

Nature of Change. The additional funds will be used to maintain the regulatory and suppression activities in the northwestern region of Mexico.

- (e) A decrease of \$208,000 for international programs (\$2,361,000 available in FY 1989).

Need for Change. International Programs' primary activities include U.S. export facilitation, foreign pest exclusion, and technical information gathering about foreign plant pests and diseases. Pest exclusion activities include preclearance programs at foreign ports which are designed to ensure that foreign agricultural products destined for the United States do not present a risk to U.S. agriculture. For certain preclearance programs, APHIS oversight can be slightly reduced and more reliance placed on foreign national personnel without detrimentally affecting these programs.

Nature of Change. APHIS will reduce the level of oversight provided for preclearance activities at selected overseas locations.

- (f) A decrease of \$269,000 for the pest detection program (\$4,197,000 available in FY 1989).

Need for Change. The pest detection program is designed to monitor the spread of endemic and foreign plant pests and diseases. APHIS maintains a computer database, the National Agricultural Pest Information System (NAPIS), which collects information from cooperators in the 50 States on plant pests and pathogens. Approximately half of the program's funds go to the States to enhance their survey programs and database management systems. Information collected in NAPIS is available to the States, universities, industry, and farmers to develop pest control strategies. Additionally, the program carries out field surveys of various agricultural pests and diseases. As a result of pathway studies carried out by APHIS in 1988, less costly monitoring methods are now available for 13 exotic pests being tracked by the program.

Nature of Change. APHIS will continue to work at improving survey methods used in determining pest and disease distribution. Pathway studies indicate that some areas can reduce monitoring for certain pests. As a result, the Agency will spend less in FY 1990 on monitoring exotic pests.

- (g) A decrease of \$150,000 for the golden nematode program (\$950,000 available for FY 1989).

Need for Change. APHIS and the State of New York have kept the golden nematode confined within that State for the last 50 years. This was accomplished primarily by the enforcement of interstate movement regulations and sanitary requirements. Further, the Agency works to eradicate the pest by supporting the development of new potato varieties that are resistant to the golden nematode and encouraging farmers to use the new varieties. Virtually all of the previously infested acreage is now planted with resistant varieties or non-host crops. As a result, fewer resources will be required to continue eradication efforts in FY 1990.

Nature of Change. Consistent with program progress, APHIS will provide reduced funding for surveys and associated operational activities. The Agency will continue to support resistant potato research at Cornell University, modified detection surveys on Long Island and in Upstate New York, and regulatory actions by the State.

- (h) A decrease of \$2,900,000 for the grasshopper program (\$8,850,000 available in FY 1989).

Need for Change. The program to control grasshopper and Mormon cricket infestations in the Western States has evolved into a proactive program, stressing forecasting of pest outbreaks and integrated pest management (IPM) techniques. The intensive control measures of the past few years, have resulted in large reductions in the grasshopper population, and new techniques have improved responses to infestations. Due to continued low grasshopper populations, APHIS anticipates that adequate funds will carry over into FY 1990 to meet the need for control efforts.

Nature of Change. Activities funded under the grasshopper program will continue to include annual surveys in cooperation with the State governments, spraying programs, and research aimed at improving survey methodology and refining response techniques.

- (i) A decrease of \$2,750,000 for the imported fire ant program (\$5,000,000 available in FY 1989).

Need for Change. The imported fire ant is currently found in 11 southern States, with isolated infestations in Arizona and California. Since 1977, the control program has been severely hampered by the absence of an approved pesticide for widespread agricultural use. APHIS continues to regulate infested States and work with industry, and the Agricultural Research Service in the testing of various control agents for this pest. Until an effective control agent is found, the Agency will have little demand for cooperative control programs from the States, and will limit its activities to testing of potential treatments and some regulatory work.

Nature of Change. APHIS will continue developing and testing new methods of fire ant control. Involvement in extended survey activities in the infested States, currently funded under cooperative agreements with the States, will be eliminated. The Agency will limit its involvement to those survey and regulatory activities necessary to prevent interstate spread of the pest.

- (j) A decrease of \$620,000 for the pink bollworm program (\$1,700,000 available in FY 1989).

Need for Change. Since 1968, APHIS has worked with the State of California to keep the pink bollworm from causing economic damage to cotton producers in the San Joaquin Valley. The Agency produces sterile-moths in Phoenix, Arizona, which are released in the San Joaquin Valley to prevent the establishment of pink bollworms in this area. In addition, APHIS has worked closely with the States in surveys and regulatory actions. After 20 years of working with the Agency, the States are equipped with the knowledge and ability to assume the primary responsibility for maintaining this program.

Nature of Change. Funds will no longer be provided for surveillance, area-wide management, and operational trials and demonstrations in the San Joaquin Valley. Also, the Agency will reduce regulatory activities. APHIS will continue to operate the sterile-moth rearing facility, conduct methods trials, and develop management tools which will assist States and producers.

A net decrease of \$166,000 for animal disease and pest control activities, consisting of:

- (a) An increase of \$1,189,000 for the animal disease detection program (\$4,800,000 available in FY 1989).

Need for Change. The National Animal Health Monitoring System (NAHMS), an important component of this program, collects, analyzes, and disseminates information on animal disease incidence, trends, and economic costs. This information is of considerable benefit to producers in identifying and responding to disease factors which cause production losses and inefficiencies. With the pilot phase of the program having now been successfully completed, producers, industry groups, States, and universities are eager to have the program expand to a national emphasis.

Nature of Change. APHIS will expand NAHMS by adding additional States and herds/flocks into the program. At the end of FY 1988, 9 States were participating in the program; by the end of 1990 this number is expected to increase to 16. Collection of data for state reports will continue and for the first time be expanded into national reports. A national survey of swine health is scheduled to begin in FY 1990 which will encompass 42 percent of the nation's swine herds and 52 percent of the swine population.

- (b) An increase of \$1,370,000 for the animal welfare program (\$6,197,000 available in FY 1989).

Need for Change. By FY 1990, regulations are expected to be in place to implement the 1985 amendments to the Animal Welfare Act, significantly broadening APHIS' responsibilities in such areas as the exercise of dogs, psychological well-being of primates, animal pain and distress, use of animals in biomedical research, and training by research facilities of personnel involved in animal care. These new responsibilities are expected to increase the time necessary to conduct an inspection by a minimum of one-half hour. Therefore, the program must substantially augment its field force of inspectors. In addition, training and public awareness activities must be increased significantly to ensure effective implementation of the new rules.

Nature of Change. The program will add up to 15 veterinary medical officers and animal health technicians to its field force of inspectors, where needed, to provide quality inspections and carry out enforcement of the new regulations. In addition, an intensive program of training and public information will be conducted. Overall, inspections of licensed dealers, research facilities, and exhibitors will be maintained at an average of two or more per facility per year.

- (c) A decrease of \$2,065,000 for the cattle tick program (\$6,258,000 available in FY 1989).

Need for Change. APHIS participates in cooperative cattle tick eradication programs in Texas and the Commonwealth of Puerto Rico. The Puerto Rico program, initiated in 1979, receives the majority of its funding from a Food and Nutrition Service (FNS) block grant (approximately \$8.5 million per year).

Nature of Change. APHIS will discontinue funding for the cattle tick eradication program in Puerto Rico. The Texas program will be continued at the present level.

- (d) A decrease of \$272,000 for the pseudorabies program (\$2,672,000 available in FY 1989).

Need for Change. The States and industry have gained experience through pilot projects and APHIS support for local activities to control or eradicate pseudorabies. Consequently, Federal support will be reduced and the States and producers are expected to assume an increased role.

Nature of Change. APHIS will continue to provide direct support for local programs to control or eradicate pseudorabies, but at a reduced level. The Agency will continue to provide national program coordination, technical advice, regulatory assistance, public information, and recordkeeping at the current level. The number of States included in the national pseudorabies eradication program, which began January 1, 1989, is expected to increase from the current 30 to an estimated 35 in FY 1990.

- (e) A decrease of \$388,000 for the tuberculosis eradication program (\$3,889,000 available in FY 1989).

Need for Change. The tuberculosis eradication program has successfully reduced the prevalence of bovine tuberculosis from 5 percent in 1917 to an estimated 0.0004 percent today. At this low infection rate, the need for herd depopulations occurs irregularly, making specific funding needs impossible to predict. No herd depopulations are provided for in the FY 1990 budget; action on known infected herds will be determined on a case-by-case basis.

Nature of Change. Program activities will include payment of indemnities for cattle that test positive at slaughter (regular reactors); reactors from infected herds; and exposed animals sold from infected herds before the infection became evident, and then traced to their new herds. These indemnities will be paid at current rates. No funding is proposed for whole herd depopulations.

- (3) An increase of \$4,197,000 for animal damage control activities consisting of:

- (a) An increase of \$3,176,000 for animal damage control operations (\$19,211,000 available in FY 1989).

Need for Change. The objective of the Department's Animal Damage Control (ADC) operational program is to demonstrate and apply the best methods of controlling wildlife conflicts with agriculture and public safety. States, local governments, and private entities are requesting ADC's participation in new cooperative wildlife control programs in increasing numbers, reflecting the program's important role in reducing economic losses to agriculture. The proposed increase would enable APHIS to accommodate some of this increasing demand for service and to support existing programs nationwide.

Nature of Change. Funds would be used to expand aerial hunting, trapping, and other methods of predator control, thereby increasing the program's ability to provide greater protection of sheep and cattle. In addition, we would establish high priority cooperative agreements with certain States, counties, and other entities that have requested assistance on a 50 percent cooperator/50 percent Federal cost sharing basis. APHIS would also use the increase to replenish program supplies and replace worn out or outdated equipment such as vehicles and radios.

- (b) An increase of \$1,021,000 for the animal damage control methods development (\$6,407,000 available in FY 1989).

Need for Change. Methods development activities in support of the Animal Damage Control (ADC) operational programs are carried out at the Department's Denver Wildlife Research Center (DWRC) and its satellite research stations. In FY 1988, the Department began a multi-year effort designed to bring the center into compliance with the Good Laboratory Practices (GLP) standards of the Environmental Protection Agency (EPA). The center's noncompliance endangers our ability to support current ADC pesticide registrations and to develop new ones, since EPA will reject data that is not developed in compliance with GLP. If the Department does not act, ADC would eventually lose many pesticide registrations.

Nature of Change. Increased funding would allow APHIS to complete the Department's effort to bring DWRC into compliance with GLP through the replacement and purchase of needed equipment and filling of essential positions.

- (4) An increase of \$500,000 for the biotechnology program (\$4,500,000 available in FY 1989).

Need for Change. The Department projects an acceleration in both the numbers of applications and in the complexity of field trials. Whole new areas of biotechnology research such as transgenic animals and live vectors to carry recombinant derived foreign genes will require new expertise and additional training for existing staff to ensure adequate evaluation of submissions. Also, the Department plans to continue efforts to promote the "international harmonization" of biotechnology regulations. Through this initiative, APHIS, as part of the United States delegation, works with foreign governments to develop uniform regulations for the field testing, movement, and importation of genetically engineered products. This effort should help prevent unnecessary trade barriers and facilitate the transfer of American products into foreign markets.

Nature of Change. These funds would be used to provide for the Agency's effort to assure more consistency in international biotechnology regulations. They would also be used to provide additional training and hire additional scientific staff to keep pace with the increasing numbers and complexity of permit requests.

Animal and Plant Health Inspection Service

Proposed for Later Transmittal, Proposed Legislation

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

<u>Item of Change</u>	1990		<u>President's Request</u>
	<u>Current Law</u>	<u>Program Changes</u>	
Agricultural quarantine inspection..	\$66,468,000	-\$66,468,000	--
Veterinary diagnostics.....	12,371,000	-1,588,000	\$ 10,783,000
All other.....	253,917,000	--	253,917,000
	<u>\$332,756,000</u>	<u>-\$68,056,000</u>	<u>\$264,700,000</u>

Explanation of Proposed Legislation

When direct beneficiaries can be identified, users of APHIS services should pay for the costs of the service. The Agency proposes to charge for the following services now provided free of charge by APHIS.

- In the agricultural quarantine inspection program, all costs associate with preventing the introduction of agricultural pests and diseases. This includes the cost of passenger, baggage, and cargo inspections at ports-of-entry; development of new detection techniques such as X-rays and detector dogs; meeting the Agency's responsibilities with respect to the movement of endangered species.
- In the veterinary diagnostics program, certain laboratory testing and reagent production performed for States, industry, universities, and other Federal agencies.

Legislation will be proposed to assess charges to the users of these services so that the cost of these programs will be borne by the program beneficiaries.

PLANT DISEASE AND PEST CONTROL
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 AND ESTIMATED 1989 AND 1990

	FY 1988		FY 1989		FY 1990	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Alabama.....	\$1,879,098	23	\$1,578,000	24	\$1,324,000	23
Alaska.....	173,369	6	224,000	6	208,000	6
Arizona.....	3,156,730	51	3,557,000	52	3,156,000	51
Arkansas.....	499,179	11	444,000	11	373,000	11
California.....	8,445,932	224	8,303,000	229	7,758,000	226
Colorado.....	964,757	12	1,378,000	12	828,000	12
Connecticut.....	277,273	6	293,000	6	275,000	6
Delaware.....	367,272	9	382,000	9	457,000	9
Florida.....	6,945,975	186	8,373,000	191	8,360,000	187
Georgia.....	6,309,503	53	4,496,000	54	4,271,000	53
Hawaii.....	6,022,288	143	7,727,000	146	7,187,000	144
Idaho.....	896,738	6	1,281,000	6	739,000	6
Illinois.....	1,096,519	22	1,296,000	23	1,210,000	22
Indiana.....	467,398	9	415,000	9	410,000	9
Iowa.....	216,294	3	167,000	3	164,000	3
Kansas.....	125,595	1	125,000	1	94,000	1
Kentucky.....	247,419	5	196,000	5	187,000	5
Louisiana.....	1,520,254	37	1,746,000	38	1,589,000	37
Maine.....	302,766	6	308,000	6	287,000	6
Maryland.....	14,055,923	345	16,954,000	357	16,366,000	350
Massachusetts.....	1,746,375	44	1,820,000	45	1,792,000	44
Michigan.....	1,420,730	38	1,363,000	39	1,777,000	38
Minnesota.....	2,235,797	82	1,953,000	84	1,933,000	83
Mississippi.....	2,572,944	39	2,395,000	40	1,911,000	39
Missouri.....	379,678	7	361,000	7	342,000	7
Montana.....	1,701,137	3	2,561,326	3	1,379,000	3
Nebraska.....	206,270	3	202,000	3	157,000	3
Nevada.....	176,055	3	246,000	3	148,000	3
New Hampshire.....	70,101	1	79,000	1	73,000	1
New Jersey.....	3,005,305	94	3,776,000	96	3,576,000	95
New Mexico.....	292,768	6	370,000	6	245,000	6
New York.....	5,710,015	140	6,800,000	143	6,160,000	141
North Carolina.....	4,724,587	77	1,762,000	79	4,337,000	78
North Dakota.....	731,573	4	1,076,000	4	547,000	4
Ohio.....	687,292	14	663,000	14	666,000	14
Oklahoma.....	370,256	5	350,000	5	239,000	5
Oregon.....	714,568	8	758,000	8	676,000	8
Pennsylvania.....	1,378,041	33	1,577,000	34	1,478,000	33
Rhode Island.....	118,016	2	142,000	2	130,000	2
South Carolina.....	2,726,085	34	1,309,000	35	2,497,000	34
South Dakota.....	487,682	3	680,000	3	360,000	3
Tennessee.....	438,757	8	384,000	8	305,000	8
Texas.....	15,027,100	329	17,424,000	337	16,438,000	331
Utah.....	479,810	5	646,000	5	390,000	5
Vermont.....	76,131	1	85,000	1	78,000	1
Virginia.....	1,257,442	26	1,417,000	27	1,332,000	26
Washington.....	961,408	28	1,199,000	29	1,053,000	28
West Virginia.....	258,477	4	187,000	4	179,000	4
Wisconsin.....	213,699	4	198,000	4	201,000	4
Wyoming.....	1,152,998	6	1,781,000	6	887,000	6
Washington, DC.....	2,568,166	66	2,597,000	58	2,073,000	57
Puerto Rico.....	4,444,126	108	5,363,000	111	5,107,000	109
Virgin Islands.....	287,779	8	347,000	8	330,000	8
Asia/Pacific.....	671,828	7	728,000	7	664,000	7
Bahamas.....	52,790	2	64,000	2	68,000	2
Bermuda.....	104,057	2	126,000	2	120,000	2
Chile.....	205,194	2	222,000	2	68,000	2
Dominican Republic...	284,262	12	344,000	12	327,000	12
Europe/Africa.....	675,129	6	732,000	6	599,000	6
Guam.....	37,220	1	44,000	1	42,000	1
Guatemala.....	4,013,352	9	3,898,000	9	4,121,000	9
Mexico.....	6,036,045	31	5,677,000	42	5,906,000	41
Venezuela.....	131,256	2	157,000	2	151,000	2
Total, Available or Estimate.....	<u>\$124,802,583^{1/}</u>	<u>2,465</u>	<u>\$133,106,326^{2/}</u>	<u>2,525</u>	<u>\$126,105,000^{2/}</u>	<u>2,482</u>

^{1/} Includes obligations of \$4,264,769 from Contingency releases.

^{2/} Obligations for Contingency releases are not included in 1989 and 1990.

ANIMAL DISEASE AND PEST CONTROL
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 AND ESTIMATED 1989 AND 1990

	FY 1988		FY 1989		FY 1990	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Alabama.....	\$2,458,402	33	\$2,419,000	28	\$2,457,000	28
Alaska.....	65,744	1	65,000	1	71,000	1
Arizona.....	1,113,863	27	1,073,000	26	1,092,000	26
Arkansas.....	3,212,879	52	3,057,000	52	3,128,000	52
California.....	3,649,790	68	3,803,000	63	4,100,000	67
Colorado.....	7,560,090	91	7,386,000	84	7,767,000	86
Connecticut.....	90,616	2	91,000	2	99,000	2
Delaware.....	65,600	1	64,000	1	68,000	1
Florida.....	9,825,962	125	9,470,000	125	9,572,000	125
Georgia.....	2,586,866	37	2,655,000	32	2,799,000	33
Hawaii.....	417,713	3	396,000	8	411,000	8
Idaho.....	1,103,306	18	1,061,000	16	1,066,000	16
Illinois.....	1,788,532	24	1,812,000	22	1,911,000	23
Indiana.....	980,880	17	1,003,000	16	1,029,000	16
Iowa.....	15,695,100	284	15,284,000	296	15,358,000	298
Kansas.....	1,958,448	35	1,914,000	32	2,025,000	33
Kentucky.....	3,382,002	41	3,172,000	31	3,265,000	31
Louisiana.....	3,200,364	43	3,078,000	43	2,592,000	43
Maine.....	307,701	4	298,000	4	302,000	4
Maryland.....	16,762,409	181	15,397,000	171	15,258,000	173
Massachusetts.....	680,353	15	665,000	14	699,000	15
Michigan.....	1,304,089	19	1,335,000	18	1,381,000	18
Minnesota.....	3,738,905	54	3,623,000	51	3,740,000	52
Mississippi.....	3,064,200	47	2,946,000	47	2,957,000	47
Missouri.....	2,385,245	37	2,359,000	32	2,537,000	33
Montana.....	685,909	14	660,000	14	664,000	14
Nebraska.....	1,636,755	30	1,709,000	27	1,662,000	28
Nevada.....	668,340	11	645,000	10	655,000	10
New Hampshire.....	93,080	2	91,000	2	95,000	2
New Jersey.....	426,923	8	428,000	8	464,000	8
New Mexico.....	978,171	19	942,000	18	967,000	18
New York.....	7,052,409	106	6,811,000	103	7,006,000	104
North Carolina.....	1,310,822	25	1,258,000	24	1,327,000	24
North Dakota.....	1,395,318	16	1,342,000	15	758,000	15
Ohio.....	1,220,320	20	1,290,000	20	1,396,000	20
Oklahoma.....	3,901,379	50	3,781,000	50	3,893,000	50
Oregon.....	620,559	14	682,000	14	771,000	15
Pennsylvania.....	1,331,978	22	1,285,000	21	1,478,000	22
Rhode Island.....	43,369	1	42,000	1	45,000	1
South Carolina.....	784,418	18	756,000	17	766,000	17
South Dakota.....	1,176,649	19	1,141,000	17	1,222,000	17
Tennessee.....	2,713,932	43	2,741,000	36	2,784,000	37
Texas.....	15,237,872	261	14,664,000	260	14,795,000	261
Utah.....	533,773	12	514,000	11	516,000	11
Vermont.....	211,758	4	205,000	4	213,000	4
Virginia.....	602,291	13	650,000	12	706,000	12
Washington.....	1,078,226	21	1,042,000	20	1,064,000	20
West Virginia.....	466,629	9	453,000	9	459,000	9
Wisconsin.....	1,445,646	20	1,429,000	19	1,568,000	19
Wyoming.....	402,527	8	388,000	8	390,000	8
Washington, DC.....	3,747,552	43	3,598,000	39	3,589,000	39
Puerto Rico.....	3,884,994	68	3,736,000	67	1,682,000	19
Virgin Islands.....	47,727	1	46,000	1	46,000	1
Asia/Pacific.....	161,947	1	155,000	1	155,000	1
Central America.....	236,433	4	227,000	4	226,000	4
Colombia.....	1,689,915	1	1,622,000	1	1,618,000	1
Europe/Africa.....	268,684	2	258,000	2	257,000	2
Dominican Rep.....	124,517	1	120,000	1	119,000	1
Haiti.....	150,304	1	144,000	1	144,000	1
Mexico.....	28,454,414	58	27,317,000	58	27,250,000	58
Panama.....	941,499	4	904,000	4	902,000	4
Total, Available or Estimate.....	<u>\$173,126,098</u>	<u>2,214</u>	<u>\$167,502,000</u> ^{1/}	<u>2,134</u>	<u>\$167,336,000</u> ^{1/}	<u>2,108</u>

1/ Obligations for Contingency releases are not included in 1989 and 1990.

ANIMAL DAMAGE CONTROL
 GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
 1988 AND ESTIMATED 1989 AND 1990

	FY 1988		FY 1989		FY 1990	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Alabama.....	\$35,848	1	\$47,000	1	\$55,000	1
Alaska.....	47,468	1	57,000	1	66,000	1
Arizona.....	338,080	6	385,000	6	452,000	6
Arkansas.....	219,828	6	220,000	6	258,000	6
California.....	1,321,988	27	1,233,000	27	1,447,000	25
Colorado.....	5,080,018	99	5,591,000	109	6,474,000	105
Connecticut.....	10,476	1	19,000	1	22,000	1
Delaware.....	6,326	0	6,000	0	7,000	0
Florida.....	300,256	7	302,000	6	351,000	6
Georgia.....	59,604	2	72,000	2	84,000	2
Hawaii.....	238,819	3	264,000	5	308,000	5
Idaho.....	1,022,166	20	1,072,000	19	1,256,000	18
Illinois.....	108,886	3	112,000	3	131,000	3
Indiana.....	80,567	2	62,000	2	72,000	2
Iowa.....	2,884	0	3,000	0	3,000	0
Kansas.....	38,682	1	43,000	1	51,000	1
Kentucky.....	471,610	6	254,000	0	298,000	0
Louisiana.....	190,035	5	251,000	5	295,000	5
Maine.....	66,499	2	70,000	2	82,000	2
Maryland.....	2,331,868	40	1,757,000	40	1,957,000	38
Massachusetts.....	10,475	2	19,000	2	22,000	2
Michigan.....	77,084	2	83,000	2	98,000	2
Minnesota.....	656,582	23	606,000	23	707,000	21
Mississippi.....	240,023	4	556,000	10	647,000	10
Missouri.....	54,781	1	54,000	1	63,000	1
Montana.....	826,621	17	868,000	17	1,020,000	16
Nebraska.....	186,797	4	267,000	4	314,000	4
Nevada.....	573,191	11	617,000	11	724,000	11
New Hampshire.....	92,496	2	98,000	2	115,000	2
New Jersey.....	78,855	3	80,000	3	94,000	3
New Mexico.....	1,000,911	20	1,016,000	20	1,193,000	19
New York.....	164,417	6	173,000	6	203,000	6
North Carolina....	88,692	2	76,000	2	89,000	2
North Dakota.....	568,765	11	627,000	11	736,000	11
Ohio.....	339,250	9	359,000	9	419,000	9
Oklahoma.....	556,416	11	619,000	11	727,000	11
Oregon.....	849,358	17	862,000	17	1,013,000	16
Pennsylvania.....	98,328	1	102,000	2	119,000	2
Rhode Island.....	8,979	1	16,000	1	19,000	1
South Carolina....	53,030	2	61,000	2	71,000	2
South Dakota.....	319,851	8	329,000	8	387,000	8
Tennessee.....	323,658	8	369,000	8	433,000	8
Texas.....	2,068,431	43	2,146,000	41	2,518,000	39
Utah.....	1,148,479	23	1,246,000	23	1,458,000	22
Vermont.....	72,676	2	77,000	2	91,000	2
Virginia.....	76,848	2	83,000	2	98,000	2
Washington.....	564,641	14	645,000	15	755,000	15
Washington, DC....	467,828	19	523,000	19	579,000	18
West Virginia.....	67,062	2	52,000	2	61,000	2
Wisconsin.....	250,498	9	284,000	9	334,000	9
Wyoming.....	845,435	17	885,000	17	1,039,000	16
Total, Available or Estimate.....	<u>24,702,366</u>	<u>528</u>	<u>\$25,618,000</u>	<u>538</u>	<u>\$29,815,000</u>	<u>519</u>

BIOTECHNOLOGY
 GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 AND ESTIMATED 1989 AND 1990

	FY 1988		FY 1989		FY 1990	
	Amount	Staff- Years	Amount	Staff- Years	Amount	Staff- Years
California.....	\$36,789	1	\$79,000	1	\$87,000	1
Iowa.....	550,391	5	600,000	6	650,000	6
Louisiana.....	67,813	1	79,000	1	87,000	1
Maryland.....	2,713,961	28	3,481,000	35	3,890,000	35
Minnesota.....	53,274	1	63,000	1	70,000	1
New Jersey.....	13,899	0	79,000	1	87,000	1
Texas.....	5,951	0	79,000	1	87,000	1
Washington, DC.....	39,166	1	40,000	1	42,000	1
Total, Available						
or Estimate.....	<u>\$3,481,244</u>	<u>37</u>	<u>\$4,500,000</u>	<u>47</u>	<u>\$5,000,000</u>	<u>47</u>

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

The estimates include appropriation language for this item as follows (new language is underscored; deleted matter is enclosed in brackets):

Buildings and Facilities

For plans, construction, repair, improvement, extension, alteration, and purchase of fixed equipment or facilities, as authorized by 7 U.S.C. 2250, and acquisition of land as authorized by 7 U.S.C. 428a, [~~\$2,546,000~~] \$15,172,000.

BUILDINGS AND FACILITIESPROJECT STATEMENT

(On basis of available funds)

	: 1988	: 1989	: Increase or	: 1990
	: Actual	: Estimated	: Decrease	: Estimated
Construction of facilities....	\$2,990,236	\$2,546,000	+\$12,626,000	\$15,172,000
Unobligated balance available,	:	:	:	:
start of year.....	-820,682	-76,446	--	-76,446
Unobligated balance available,	:	:	:	:
end of year.....	76,446	76,446	--	76,446
Total, Available or estimated	:	:	:	:
appropriated funds.....	<u>\$2,246,000</u>	<u>\$2,546,000</u>	<u>+\$12,626,000(1)</u>	<u>\$15,172,000</u>

EXPLANATION OF PROGRAM

The APHIS appropriation "Buildings and Facilities" funds major non-recurring construction projects in support of specific program activities and recurring construction, alterations, and repairs of existing APHIS facilities.

JUSTIFICATION OF INCREASE

(1) An increase of \$12,626,000 for buildings and facilities (\$2,546,000 available in FY 1989).

(a) An increase of \$1,126,000 for buildings and facilities (\$2,546,000 available in FY 1989).

Need for Change. Plans, construction, repairs, alterations, and improvements are performed as needed for APHIS facilities including animal quarantine stations, border inspection stations, sterile insect rearing facilities, and laboratories. As the buildings age, major repairs or replacement of items, such as roofs, heating and ventilation systems, air conditioning, etc., become critical to the overall building operation. The Agency performs these repairs and replacements of items based upon which is the most critical.

Since first established in FY 1982, Buildings and Facilities has increased by only \$247,000. Additional responsibilities for maintaining existing buildings and those transferred to APHIS with the ADC programs along with the impact of inflation, have greatly reduced the Agency's ability to meet its needs.

Nature of Change. This increase will allow for more timely and adequate maintenance and repair of the APHIS operated facilities.

- (b) An increase of \$7,000,000 to renovate the Denver Wildlife Research Laboratory (\$0 available in FY 1989).

Need for Change. Facilities at the Denver Wildlife Research Center (DWRC) for research and methods development are not adequate to meet the requirements of the Animal Welfare Act (AWA) and Good Laboratory Practices (GLP) regulations mandated by the Environmental Protection Agency (EPA) for pesticide registrations. Animal holding facilities and associated laboratories are decentralized and are outdated in terms of meeting regulatory standards for animal care and maintenance. Many aspects of these facilities, ranging from the construction materials to room/laboratory locations and ventilation are below what is considered adequate by current standards.

Nature of Change. Construction of centralized animal holding and animal research facilities of 15,000 square feet at the DWRC will bring the Animal Damage Control program up to AWA and related GLP standards for conducting research involving both wild and laboratory animals. This construction will incorporate the present scattered animal quarantine, animal holding, and animal research laboratory, necropsy, and associated cage cleaning and equipment space into a central modern facility. A single animal care/maintenance unit within the DWRC would be organized and allow more effective management and utilization of the staff.

- (c) An increase of \$4,500,000 to construct the Plant Germ Plasm Quarantine Laboratory (\$0 available in FY 1989).

Need for Change. APHIS is responsible for ensuring that U.S. agriculture is protected from the threat of exotic pathogens, pests, and weeds. This includes organisms that are visual, microscopic, or submicroscopic or that may be harbored in or on foreign germ plasm. Over the years, the demand for, and importation of, foreign germ plasm has dramatically increased while the quarantine related facilities have deteriorated and staffing has remained unchanged. Long delays in the processing and release of foreign germ plasm have led to increased frustration among end users of foreign germ plasm which has prompted some individuals to smuggle materials, significantly increasing the probability of introducing exotic pathogens, pests, and weeds that can seriously threaten U.S. agricultural productivity. The facilities currently utilized for the germ plasm quarantine activities are dispersed, antiquated, understaffed, and lack adequate security and space for the volume of material requiring processing. Consequently, a 10-year backlog of material has accumulated.

Foreign germ plasm is vital to continue the high productivity and export competitiveness of U.S. agriculture. APHIS' role in the acquisition of new germ plasm is to ensure that the foreign germ plasm does not inadvertently introduce exotic pathogens, pests, or weeds that could destroy agricultural productivity. The new Plant Germ Plasm Quarantine Laboratory building is necessary to reduce the risk associated with importing quarantine restricted, but required germ plasm; to improve the efficiency of inspection, indexing, treatment, and release of prohibited germ plasm; and to improve the safety of personnel using the currently existing facilities.

Nature of Change. The construction of the Plant Germ Plasm Quarantine Laboratory is the final phase of the 1979 APHIS Master Plan to re-build and modernize APHIS quarantine facilities in Beltsville, Maryland. The plant germ plasm quarantine facility will consolidate all major germ plasm quarantine activities at the National Plant Germ Plasm Quarantine Center. This co-location of the germ plasm activities will improve efficiency, reduce travel time, and significantly reduce the risk associated with the importation of germ plasm by incorporating modern design and technology and avoiding the need to transport prohibited material between facilities. The new building will provide sufficient space for the activities currently being conducted in rented facilities, as well as provide necessary safety precautions for personnel. A separate fumigation and toxic chemical storage room, with its own environmental control and exhaust system has been designed into this building.

PASSENGER MOTOR VEHICLES

The 1990 Budget Estimates propose the purchase of 10 replacement passenger motor vehicles.

The passenger motor vehicles of the Service are used by veterinarians, animal health technicians, plant protection and quarantine officers, inspectors, and other technical personnel in the performance of their duties. APHIS personnel use passenger motor vehicles during their daily activities to travel between individual ranches, farms, orchards, nurseries, ports, and other commercial firms. Use of common carriers is not feasible because of the need to travel in mostly rural areas. Comparative costs studies have shown that it is more economical to use Government owned vehicles rather than reimburse employees for the use of privately owned cars.

The Service's policy is to pool vehicles for use as much as possible. This results in a minimum of passenger motor vehicles and reduces overall operating costs. Operators are required to maintain and submit operational data. These reports are reviewed to determine where costs or usage need to be improved. Periodic surveys are made to determine the continued need for vehicles and their condition.

Replacement of passenger motor vehicles. Replacement of 10 of the 559 vehicles estimated to be in operation at the beginning of FY 1990 is proposed. These 559 vehicles are located in 293 field stations and are used for the control and eradication of animal diseases, plant pests and diseases, animal damage control programs, and animal and plant quarantine work. The control, eradication, testing, and inspection activities are essential in protecting the Nation's agriculture. All vehicles proposed for replacement have 60,000 or more miles or are more than 6 years of age.

Age and mileage data for passenger motor vehicles on hand as of September 30, 1988, are as follows:

Age-Year Model	Age Data		Lifetime Mileage (Thousands)	Mileage Data	
	Number of Vehicles	Percent of Total		Number of Vehicles	Percent of Total
1983 or older	163	28	80-100	61	10
1984	141	24	60-80	126	22
1985	40	7	40-60	162	28
1986	128	22	20-40	87	15
1987	5	1	Under 20	148	25
1988	107	18			
Total	<u>584</u>	<u>100</u>	Total	<u>584</u>	<u>100</u>

AIRCRAFT

The 1990 Budget Estimates propose the acquisition of one additional aircraft and the replacement of one of the aircraft presently maintained by the Agency. There are presently nineteen aircraft in the Agency fleet, eight for Plant Protection and Quarantine, two in Veterinary Services, and nine for Animal Damage Control programs. The two aircraft in Veterinary Services were on loan to PPQ and are planned to be excessed during FY 1989. During FY 1988, two airplanes were excessed in PPQ and two airplanes were purchased. One airplane was for replacement in PPQ and the other airplane was an addition to the ADC fleet.

Additional

The additional aircraft will be used for aerial predator damage control in the Western United States. This involves reducing the heavy coyote population in areas where their presence is a danger to humans and livestock. The aircraft will also be used to survey and gather damage information and to identify den sites of the predators.

Replacement

The replacement aircraft will be utilized primarily in plant pest control operations. These aircraft are sometimes used to supervise and observe contract planes which are newer, faster models than those the Agency has available. While this replacement authority is requested each year in the appropriation act, the aircraft are replaced only when necessary to maintain the fleet in safe and efficient operating condition.

The plant protection aircraft make aerial surveys and aerial application tests, are used for insect trapping operations, and to demonstrate the use of special equipment for suppression of destructive insects attacking crops.

AGRICULTURAL MARKETING SERVICE

Purpose Statement

The Agricultural Marketing Service (AMS) was established by the Secretary of Agriculture on April 2, 1972. AMS carries out programs authorized by 35 different statutory authorities, the primary ones being the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627); the Agricultural Marketing Agreement Act of 1937 (7 U.S.C. 601-602, 608a-608e, 610, 612, 614, 624, 671-674); the U.S. Cotton Standards Act (7 U.S.C. 51-65); the Cotton Statistics and Estimates Act (7 U.S.C. 471-476); the Tobacco Inspection Act (7 U.S.C. 511-511q); the Perishable Agricultural Commodities Act (7 U.S.C. 499a-499s); the Egg Products Inspection Act (21 U.S.C. 1031-1056); and Section 32 (15 U.S.C. 713c).

The primary objective of AMS is to enhance the marketing and distribution of agricultural products from the Nation's farms. This is achieved through the collection and dissemination of market news information, the establishment of grading standards, inspection and grading services, and various marketing development programs. Approximately three-fourths of the funds needed to finance these activities are derived from user fees.

The Agricultural Marketing Service administers the following programs:

1. Market news service: The market news program entails the collection, analysis and dissemination of supply, inventories, prices and other market information for numerous agricultural commodities, including cotton and cottonseed; dairy products; fruits and vegetables; livestock, meat and grains; poultry products; and tobacco.

Market news provides timely, accurate, and unbiased information to assist producers, growers, and marketers of farm products in making critical decisions of where and when to sell, and at what price. The collection of market information is a joint effort by both Federal and State reporters.

2. Inspection, grading and standardization services: AMS develops and maintains standards of quality and condition for use in the grading of agricultural commodities. These standards provide a common language of trade for buyers and sellers of these commodities both here and abroad. AMS provides grading and certification services upon request for numerous agricultural commodities, including cotton, dairy products, fruits and vegetables, livestock and meat, poultry and eggs, and tobacco. AMS also provides: continuous in-plant inspection to manufacturers of liquid, frozen, or dried egg products to ensure that egg products are wholesome, unadulterated, and fit for human consumption; inspects egg handlers and hatcheries quarterly to ensure the proper disposition of restricted eggs; and controls the importation of egg products to ensure that U.S. requirements are met.

The inspection and grading activities are performed by Federal and Federally-supervised State employees. The egg products inspection program is mandatory and is funded from appropriations while grading activities are provided on a fee-for-service basis.

AMS also develops and maintains standard food specifications used government-wide to provide a more efficient Federal food procurement service.

3. Market protection and promotion services: AMS administers several laws to ensure proper marketing practices, stimulate innovative and improved commodity marketing, and provide assistance to industry-sponsored activities. The Federal Seed Act requires truthful labeling of seeds

shipped in interstate commerce to prevent misrepresentation. The Plant Variety Protection Act encourages the development of novel varieties of sexually reproduced plants by providing patent-like protection to developers. Oversight and direction is provided to several industry-funded research and promotion programs. During the past year, approximately \$360 million was collected through producer assessments and used by industry to broaden and enhance local and national markets for various commodities. Currently there are active research and promotion programs for beef, cotton, dairy products, eggs and egg products, honey, pork, potatoes, lamb and wool, and mohair.

4. Wholesale market development: Under this program, AMS provides technical advice and assistance to States and municipalities interested in creating new or upgrading current wholesale market facilities. AMS also conducts cooperative feasibility studies with other government agencies and the private sector to evaluate and suggest improvements in the efficiency with which agricultural commodities are handled and marketed.
5. Federal-State marketing improvement program: This program provides matching funds to State Departments of Agriculture for projects intended to improve the marketing of farm commodities. These funds enable the States to conduct marketing projects to improve local marketing systems. The aim of the program is to reduce the marketing costs for producers and, ultimately, the retail cost of food to consumers. Projects include work in innovative marketing techniques, testing study findings in the marketplace, and developing State expertise in providing service to marketers of agricultural commodities.
6. Perishable Agricultural Commodities Act: Through legal recourse procedures this program protects producers, shippers, distributors and retailers of fresh and frozen fruits and vegetables from financial loss due to buyer bankruptcy or unfair and fraudulent practices in the marketing of perishable agricultural commodities. This program also prohibits the unwarranted destruction or dumping of farm products handled for others.
7. Strengthening agricultural markets and producer income (Section 32): This program provides price assistance to producers through the purchase of surplus and, as necessary, other agricultural commodities from regular market outlets. Contracting offices use both Section 32 program funds and appropriated funds of the Food and Nutrition Service to make these purchases. All commodities purchased are transferred to the Food and Nutrition Service for distribution to schools, to the elderly and to other domestic food assistance programs.

AMS supervises the administration of the marketing agreements and orders program and conducts public hearings and referenda to determine producer sentiment toward new order programs and revisions of current programs. Marketing orders maintain orderly market conditions by establishing minimum prices which handlers pay to producers for milk and dairy products and by regulating the quality, quantity, or size of fruits and vegetables which handlers may market in commercial channels.

8. Work performed for others: AMS provides services for Federal, State, and private industry on a reimbursable basis, primarily in connection with the commodity grading and inspection programs.

AMS headquarters are located in Washington, D.C., with approximately 308 year-round and seasonal field offices. The peak employment period for AMS occurs during the four month period, September thru December, due to the seasonal nature of the cotton, tobacco, and fruit and vegetable grading programs. Employment during the peak period averaged 5,253 during fiscal year 1988. As of September 30, 1988, there were 3,442 full-time employees and 1,548 other than permanent full-time employees. Of this number, employees assigned to field office locations totaled 2,823 full-time and 1,514 other than permanent full-time employees.

AGRICULTURAL MARKETING SERVICE

Available Funds and Staff-Years1988 Actual and Estimated, 1989 and 1990

Item	1988 Actual	Staff- Years	1989 Estimated	Staff- Years	1990 Estimated	Staff- Years
	Amount		Amount		Amount	
<u>Agricultural Marketing Service:</u>						
Marketing Services ...	\$32,409,000	643	\$33,373,000	659	32,242,000	599
Payments to States and Possessions	942,000	--	942,000	--	--	--
Total	33,351,000	643	34,315,000	659	32,242,000	599
<u>Obligations under other USDA appropriations:</u>						
Agricultural Research Service for general telegraphic services..	9,000	--	6,000	--	6,000	--
Agricultural Stabilization & Conservation Service:						
for general telegraphic services.....	5,000	--	6,000	--	6,000	--
for statistical services.....	15,000	--	15,000	--	15,000	--
Federal Grain Inspection Service for statistical services :	234,303	4	234,000	4	234,000	4
Food & Nutrition Service for commodity procurement services	204,000	5	214,000	5	214,000	5
Foreign Agri. Service for general telegraphic services.....	76,000	2	76,000	2	76,000	2
National Agricultural Statistics Service for statistical services.....	10,000	--	10,000	--	10,000	--
Packers & Stockyards Administration for statistical services:	35,000	1	35,000	1	35,000	1
Miscellaneous Reimbursements	20,000	--	12,000	--	12,000	--
Total, Other USDA Appropriations...	608,303	12	608,000	12	608,000	12
Total, Agriculture Appropriations ..	33,959,303	655	34,923,000	671	32,850,000	611
<u>Permanent Appropriations:</u>						
Funds for strengthening Markets, Income, and Supply (Sec. 32) :	4,240,881,930	140	4,552,833,158	154	4,733,000,549	168

Continued on next page

AGRICULTURAL MARKETING SERVICE

Available Funds and Staff-Years1988 Actual and Estimated, 1989 and 1990

Item	1988		1989		1990	
	Actual		Estimated		Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Carryin	221,589,429	--	116,867,619	--	140,500,451	--
Deduct transfers out ...	-3,874,140,205	--	-4,146,960,326	--	-4,210,254,000	--
Deduct carryout	-116,867,619	--	-140,500,451	--	-300,000,000	--
Net AMS	471,463,535	140	382,240,000	154	363,247,000	168
Perishable Agricultural						
Commodities Act Fund ...	4,744,730	119	5,500,000	127	5,500,000	127
Total, Permanent						
Appropriations	476,208,265	259	387,740,000	281	368,747,000	295
<u>Non-Federal Funds:</u>						
American Egg Board for						
oversight work	47,411	1	50,000	1	50,000	1
Beef Board for						
oversight work	279,130	2	210,000	2	210,000	2
Pork Board for						
oversight work	234,155	2	185,000	2	185,000	2
Cotton Board for						
oversight work	108,462	2	103,000	2	103,000	2
Dairy Board for.....						
oversight work	253,041	4	432,000	4	432,000	4
Potato Board for						
oversight work	34,973	1	45,000	1	45,000	1
Honey Board for						
oversight work	27,756	--	30,000	--	30,000	--
Egg products inspection:	592,034	--	570,000	--	570,000	--
Fees for grading of						
cotton and tobacco ...	31,812,280	654	34,000,000	605	35,462,000	524
Grading of farm pro-						
ducts for producers,						
processors, and						
municipal, State and						
Federal Agencies	65,940,614	1,955	85,979,000	1,892	85,979,000	1,892
Milk Market Administra-						
tors for Federal Tele-						
communications System&						
employee compensation:	78,000	--	24,000	--	24,000	--
States for collection						
& dissemination of						
market news						
information	188,327	4	191,000	4	191,000	4
Total, Non-Federal						
Funds	99,596,183	2,625	121,819,000	2,513	123,281,000	2,432
Milk Market Orders						
Assessment Funds	32,710,897	551	36,865,000	562	38,709,000	562
Total, Agricultural						
Marketing Service	642,474,648	4,090	581,347,000	4,027	563,587,000	3,900

Full-Time Equivalent
Staff-Years:

	1988 Actual	1989 Estimated	1990 Estimated
Ceiling	4,090	4,027	3,900
Non-Ceiling	222	242	242
Total	4,312	4,269	4,142

AGRICULTURAL MARKETING SERVICE
Permanent Positions by Grade and Staff-Year Summary
1988 and Estimated 1989 and 1990

GRADE	1988			1989			1990		
	HEADQUARTERS	FIELD	TOTAL	HEADQUARTERS	FIELD	TOTAL	HEADQUARTERS	FIELD	TOTAL
ES-5	2	--	2	2	--	2	2	--	2
ES-4	5	--	5	5	--	5	5	--	5
ES-3	1	--	1	1	--	1	1	--	1
ES-2	1	--	1	1	--	1	1	--	1
ES-1	1	--	1	1	--	1	1	--	1
GS/GM-15	24	2	26	24	2	26	24	2	26
GS/GM-14	59	16	75	59	16	75	55	16	71
GS/GM-13	101	56	157	101	57	158	95	57	152
GS-12	119	149	268	119	151	270	105	151	256
GS-11	52	228	280	52	228	280	48	227	275
GS-10	--	18	18	--	18	18	--	18	18
GS-9	48	771	819	48	772	820	45	772	817
GS-8	6	238	244	7	241	248	6	241	247
GS-7	54	265	319	55	271	326	51	270	321
GS-6	47	34	81	48	35	83	44	35	79
GS-5	53	186	239	52	186	238	50	186	236
GS-4	53	170	223	54	172	226	48	171	219
GS-3	19	25	44	17	22	39	16	22	38
GS-2	8	4	12	8	4	12	7	3	10
GS-1	1	--	1	1	--	1	--	--	--
Milk Market Orders Administrators and Staff	--	544	544	--	551	551	--	551	551
Ungraded Positions	2	23	25	2	24	26	2	24	26
Total Permanent Positions	656	2,729	3,385	657	2,750	3,407	606	2,746	3,352
Staff-Years: Ceiling	613	3,477	4,090	627	3,400	4,027	585	3,315	3,900
Non-Ceiling	15	207	222	15	227	242	15	227	242
TOTAL	628	3,684	4,312	642	3,627	4,269	600	3,542	4,142

AGRICULTURAL MARKETING SERVICE

CLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation:			
Headquarters	5,831,720	6,219,000	4,440,000
Field	12,549,634	13,391,000	13,441,000
11 Total personnel compensation	18,381,354	19,610,000	17,881,000
12 Personnel benefits	3,124,531	3,596,000	3,267,000
13 Benefits for former personnel	<u>80,494</u>	<u>78,000</u>	<u>1,180,000</u>
Total Personnel Compensation and Benefits	<u>21,586,379</u>	<u>23,284,000</u>	<u>22,328,000</u>
Other Objects:			
21 Travel	1,276,773	1,555,000	1,463,000
22 Transportation of things .	102,796	112,000	112,000
23.2 Rental payments to others.	284,621	287,000	291,000
23.3 Communications, utilities and misc. charges	2,355,963	2,333,000	2,365,000
24 Printing and reproduction.	147,416	188,000	171,000
25 Other services	4,776,966	4,443,000	4,567,000
26 Supplies and materials ...	473,363	465,000	428,000
31 Equipment	820,775	706,000	517,000
41 Grants, subsidies and contributions	942,000	942,000	--
42 Insurance claims and indemnities	2,042	--	--
43 Interest and dividends ..	<u>768</u>	<u>--</u>	<u>--</u>
Total Other Objects	<u>11,183,483</u>	<u>11,031,000</u>	<u>9,914,000</u>
Total Direct Obligations	<u>32,769,862</u>	<u>34,315,000</u>	<u>32,242,000</u>

Position Data:

Average Salary, ES positions	\$72,486	\$75,460	\$75,460
Average Salary, GM/GS positions	\$27,802	\$28,954	\$28,903
Average Grade, GM/GS positions	8.6	8.6	8.6

AGRICULTURAL MARKETING SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Marketing Services:

- For necessary expenses to carry on services related to consumer protection, agricultural marketing and distribution and regulatory programs
- 1 as authorized by law, [and for administration and coordination of payments to States;] including field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$70,000 for
 - 2 employment under 5 U.S.C. 3109, [~~\$33,373,000~~; of which not less than \$1,591,000 shall be available for the Wholesale Market Development Program for the design and development of wholesale and farmer market facilities for the major metropolitan areas of the country] \$32,242,000: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but, unless otherwise provided, the cost of altering any one building during the fiscal year shall not exceed 10 per centum of the current replacement value of the building.

The first change proposes deletion of the language related to the administration and coordination of the separate appropriation account, "Payments to States and Possessions" since this program is proposed for elimination in FY 1990.

The second change proposes deletion of the language related to the Wholesale Market Development Program since this program is proposed for elimination in FY 1990 and only close-out funds are requested.

MARKETING SERVICES -- CURRENT LAW

Appropriation Act, 1989	\$33,373,000
Budget Estimate, Current Law, 1990	<u>32,242,000</u>
Decrease in Appropriation	<u>-1,131,000</u>

MARKETING SERVICES - PROPOSED LEGISLATION

Budget estimate, Current Law, 1990.....	\$32,242,000
Change due to proposed legislation.....	<u>-4,246,000</u>
Net Request, President's 1990 Budget Request.....	<u>27,996,000</u>

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Market News Service	\$15,751,000	+\$615,000	\$16,366,000
Inspection and Standardization	13,961,000	-601,000	13,360,000
Market Protection and Promotion	2,070,000	-829,000	1,241,000
Wholesale Market Development	<u>1,591,000</u>	<u>-316,000</u>	<u>1,275,000</u>
Total Available	<u>33,373,000</u>	<u>-1,131,000</u>	<u>32,242,000</u>

PROJECT STATEMENT - CURRENT LAW
(On basis of appropriation)

	<u>1988 Actual</u>		<u>1989 Estimated</u>			<u>1990 Estimated</u>	
	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>	<u>Increase or Decrease</u>	<u>Amount</u>	<u>Staff- Years</u>
1. <u>Market News</u>	:	:	:	:	:	:	:
<u>Service:</u>	:	:	:	:	:	:	:
(a) Cotton and	:	:	:	:	:	:	:
cottonseed..	\$1,572,686:	29:	\$1,660,000:	30:	+\$64,000:	\$1,724,000:	30
(b) Dairy	:	:	:	:	:	:	:
products ..	529,994:	10:	424,000:	9:	+17,000:	441,000:	9
(c) Fruits and	:	:	:	:	:	:	:
vegetables..	4,304,152:	99:	4,564,000:	102:	+177,000:	4,741,000:	101
(d) Livestock,	:	:	:	:	:	:	:
meats&grain:	5,938,931:	130:	6,199,000:	131:	+243,000:	6,442,000:	129
(e) Poultry	:	:	:	:	:	:	:
products ...	1,902,597:	42:	2,099,000:	44:	+82,000:	2,181,000:	44
(f) Tobacco	<u>681,174:</u>	<u>17:</u>	<u>805,000:</u>	<u>19:</u>	<u>+32,000:</u>	<u>837,000:</u>	<u>19</u>
Total,	:	:	:	:	:	:	:
Market News	:	:	:	:	(1):	:	:
Service	14,929,534:	327:	15,751,000:	335:	+615,000:	16,366,000:	332
2. <u>Inspect. and</u>	:	:	:	:	:	:	:
<u>Standardiza.</u>	:	:	:	:	:	:	:
(a) Egg products:	:	:	:	:	:	:	:
inspection..	9,119,280:	177:	9,521,000:	178:	+137,000:	9,658,000:	176
(b) Standardiz-	:	:	:	:	:	:	:
tion.....	<u>4,411,405:</u>	<u>83:</u>	<u>4,440,000:</u>	<u>82:</u>	<u>-738,000:</u>	<u>3,702,000:</u>	<u>68</u>
Total, Inspec.	:	:	:	:	(2):	:	:
& Standardiza..	13,530,685:	260:	13,961,000:	260:	-601,000:	13,360,000:	244
3. <u>Market Pro-</u>	:	:	:	:	:	:	:
<u>tection and</u>	:	:	:	:	:	:	:
<u>Promotion:</u>	:	:	:	:	:	:	:
(a) Federal	:	:	:	:	:	:	:
Seed Act ...	1,007,491:	19:	1,047,000:	19:	-597,000:	450,000:	3

(Continued on next page)

PROJECT STATEMENT - CURRENT LAW
(On basis of appropriation)

	1988 Actual		1989 Estimated			1990 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Increase or Decrease	Amount	Staff-Years
(b) Plant							
Variety							
Protection							
Act	229,624	4	238,000	4	-238,000	--	--
(c) Market deve-							
lopment and:							
assistance..	486,625	9	785,000	14	+6,000	791,000	14
Total, Market							
Protection and					(3)		
Promotion	1,723,740	32	2,070,000	37	-829,000	1,241,000	17
4. Wholesale							
Market					(4)		
Development ..	1,643,903	24	1,591,000	27	-316,000	1,275,000	6
Unobligated bal.	581,138	--	--	--	--	--	--
Total,							
appropriation..	32,409,000	643	33,373,000	659	-1,131,000	32,242,000	599

EXPLANATION OF PROGRAM

1. Market News Service:

The market news program is carried out under the following authorities:

- Agricultural Marketing Act of 1946
- Cotton Statistics and Estimates Act of 1927
- Naval Stores Act
- Tobacco Inspection Act of 1935
- U.S. Cotton Futures Act
- Peanut Statistics Act
- Food Security Act of 1985

Market news information is gathered on various agricultural products including dairy products, fruits and vegetables, livestock and meat, grain, poultry, eggs, cotton and tobacco. Market News provides those engaged in the production and marketing of farm products, as well as related industries with timely, accurate, and unbiased market information. This market information covers local, regional, national, and international markets and includes current data on supply, movement, contractual agreements, inventories, and prices at specific markets for practically all agricultural commodities. On a day-to-day basis those utilizing market news information are in a position to make the critical decisions of where and when to sell, and at what price.

Market information is obtained by both Federal and State reporters at trading points or by telephone. Information collected by these reporters is analyzed and disseminated immediately to the agricultural community by automatic telephone answering devices, printed reports, radio and television, newspaper columns, and data networks. National information is integrated with local information and released in a form easily understood by the industry and locality served. Beginning in October 1981, AMS began charging subscription fees to cover postage and handling for commodity market news reports. On October 1, 1987, AMS began charging subscription fees for its various cotton market news printed and mailed reports. Subscription fees are now charged for all printed and mailed reports except tobacco.

Market News Workload Data, FY 1988:

<u>Commodity Group</u>	<u>Field Offices</u> Year Round	<u>Sea- sonal</u>	<u>Buyers and Sellers Inter- viewed</u>	<u>Printed Reports Issued (Thous.)</u>	<u>Number on Mailing List</u>	<u>No. of Federal Reporters</u>	<u>No. of Markets Covered</u>
Cotton and Cottonseed	5	--	2,305	513	3,707	7	7
Dairy and Dairy Products	2	--	500	90	2,435	6	46
Fruits and Vegetables	35	20	10,562	1,369	23,361	54	780
Livestock, Grain, and Meat	11	42	14,800	310	5,424	79	673
Poultry and Eggs	14	--	1,600	81	1,239	26	81
Tobacco	2	2	500	16	945	5	147

2. Inspection, Grading and Standardization:

This program is carried out under the following authorities:

Agricultural Marketing Act of 1946
 Agricultural Fair Practices Act
 Cotton Statistics and Estimates Act of 1927
 U.S. Cotton Futures Act
 United States Cotton Standards Act
 Naval Stores Act
 Tobacco Inspection Act of 1935
 Tobacco Statistics Act
 Wool Standards Act
 Egg Products Inspection Act
 Dairy and Tobacco Adjustment Act of 1983
 Food Security Act of 1985

This program covers three distinct areas that facilitate the domestic and international marketing of agricultural commodities: development and maintenance of commodity quality standards, egg products inspection, and commodity grading.

- a. Standards. AMS develops, reviews, and maintains agricultural commodity standards that describe product quality attributes such as taste, color, texture, yield, weight, and physical condition. Standards are developed for use in grading cotton, tobacco, naval stores, wool, mohair, livestock and meat, poultry, eggs, fruits, vegetables, nuts, and dairy products.

Standardization Workload Data:

	<u>FY 1988 Actual</u>	<u>FY 1989 Estimate</u>	<u>FY 1990 Estimate</u>
International and U.S. standards in effect, end of year	588	590	590
Number of commodities covered	185	185	185
Standards revised	3	14	9

Federal Food Specifications:

AMS also develops, coordinates, and approves Federal food product descriptions and establishes quality assurance policies and procedures for the procurement of food by USDA, the Department of Defense, Indian Health Service, National Institutes of Health, Bureau of Prisons, and the Veterans Administration. The major goal of this program is to update and streamline Federal food specifications to improve the cost efficiency of Federal food purchasing by using Commercial Item Descriptions wherever possible.

Federal Food Specification Workload Data:

	FY 1988 <u>Actual</u>	FY 1989 <u>Estimate</u>	FY 1990 <u>Estimate</u>
Commercial Item Descriptions (CID's)			
developed, coordinated and approved	17	6	6
CID's revised	10	22	17
Federal specifications approved	--	2	2
Documents cancelled	65	21	11
Department of Defense food documents			
coordinated	144	90	90
Food product description reviewed	109	51	51
Federal specifications amended	3	3	3

- b. Inspection. This activity involves continuous mandatory inspection of egg processing plants producing liquid, frozen, or dried egg products to ensure consumers purchase wholesome, unadulterated and truthfully labeled egg products. In cooperation with State Departments of Agriculture, shell egg grading operations are inspected at least four times yearly to control the disposition of certain types of undergrade and restricted eggs.

Egg Products Inspection Workload Data:

	FY 1988 <u>Actual</u>	FY 1989 <u>Estimate</u>	FY 1990 <u>Estimate</u>
Egg products inspected (million pounds)	1,651	1,640	1,650
Egg products accepted (million pounds)	60	25	25
Egg products plants	86	88	88
Egg handler surveillance visits	10,201	9,690	9,206
States and Commonwealths with			
cooperative agreements	52	52	52
Laboratory samples analyzed:			
Food chemistry and microbiology	46,481	46,000	46,000
Chemical residues	384	400	400

- c. Grading. The grading process involves the application of quality standards to agricultural commodities. Grading services are offered to users who pay published fees for services provided. These services facilitate marketing by permitting purchasers to buy commodities without having to inspect them personally and by providing an impartial evaluation of the quality of products prior to their sale. AMS certification services provide assurance to buyers that the products they receive are the quantity and quality specified in their contract with the seller.

Grading Workload Data:

	FY 1988 <u>Actual</u>	FY 1989 <u>Estimate</u>	FY 1990 <u>Estimate</u>
Cotton Classifications (thousand bales):			
Smith-Doxey Amendment	13,494	14,034	13,534
United States Cotton Standards Act:			
Public Classing Service	30	32	32
U.S. Cotton Futures Act	<u>200</u>	<u>200</u>	<u>200</u>
Total, Cotton Classifications	13,724	14,266	13,766
Cottonseed Grade Certificates Issued:			
(thousands)	32	32	32
Poultry and Egg Grading:			
Poultry products graded (includes			
rabbits - million pounds)	14,717	15,415	16,200
Shell eggs graded (million dozen)	1,689	1,650	1,660
Pounds accepted (poultry - million pounds)	997	1,390	1,490
Dozens accepted (eggs - million dozen)	494	530	560
Meat Grading:			
Meat graded (million pounds)	12,800	12,600	12,500
Meat accepted (million pounds)	700	800	800

	FY 1988 <u>Actual</u>	FY 1989 <u>Estimate</u>	FY 1990 <u>Estimate</u>
Livestock Grading:			
Livestock graded (million pounds)	45	58	58
Fresh Fruit and Vegetable & Nut Grading:			
Product inspected (million pounds)	74,600	75,000	75,500
Processed Fruit and Vegetable Grading:			
Product inspected (million pounds)	11,100	11,700	12,000
Dairy Grading:			
Butter graded (million pounds)	1,061	330	450
Cheese graded (million pounds)	1,055	330	420
Dry milk graded (million pounds)	798	100	300
Other products graded (million pounds)	112	70	100
Plant inspections	1,987	1,900	1,800
Tobacco Grading:			
Flue-cured (million pounds)	840	850	850
Fire-cured (million pounds)	19	20	20
Dark air-cured (million pounds)	5	7	7
Burley (million pounds)	484	500	500
Tobacco Reinspection (million pounds)	115	120	120
Imported Tobacco Inspection (million pounds)	<u>239</u>	<u>232</u>	<u>232</u>
Total, Tobacco Inspection and Grading	1,702	1,729	1,729

3. Market Protection and Promotion:

In the administration of market protection and promotion activities the Agricultural Marketing Service operates under the following authorities:

- Agricultural Marketing Act of 1946
- Capper Volstead Act
- Cotton Research and Promotion Act
- Egg Research and Consumer Information Act
- Export Apple and Pear Act
- Export Grape and Plum Act
- Federal Seed Act
- National Wool Act of 1954
- Plant Variety Protection Act
- Potato Research and Promotion Act
- Dairy and Tobacco Adjustment Act of 1983
- Honey Research, Promotion and Consumer Information Act
- Beef Promotion and Research Act of 1985
- Pork Promotion, Research, and Consumer Information Act of 1985
- Watermelon Research and Promotion Act

- a. Federal Seed Act. This Act regulates agricultural and vegetable seed moving in interstate commerce. It prohibits false labeling and advertising of seed and the shipment of prohibited noxious-weed seed into a State. About 500 State seed inspectors are authorized to inspect seed subject to the Act. Seed samples are routinely drawn by State seed inspectors to monitor seed sold commercially. Should an inspection reveal infractions of the Act, a complaint may be referred to AMS by the cooperating State agency. Based on the results of the tests and investigations, AMS attempts to resolve each case administratively. If a case cannot be resolved administratively, AMS will initiate appropriate legal action. Intrastate infractions are subject to State laws.

Federal Seed Act Workload Data:

	FY 1988 <u>Actual</u>	FY 1989 <u>Estimate</u>	FY 1990 <u>Estimate</u>
<u>Seed Testing:</u>			
<u>Seed samples tested in connection with:</u>			
Interstate shipments	2,108	2,100	--
Check tests	802	800	--
Variety testing	<u>2,308</u>	<u>2,300</u>	<u>--</u>
Total number of samples tested	5,218	5,200	--
<u>Interstate Enforcement:</u>			
<u>Cases for Investigation:</u>			
Total to be investigated	1,740	1,600	--
Investigations completed	966	1,000	--
Pending at end of year	774	600	--
<u>Administrative Actions:</u>			
No action warranted	143	150	--
Warnings issued	733	700	--
Citations issued	135	150	--
<u>Administrative Settlements:</u>			
Settlements terminated	98	100	--
Settlements pending	12	10	--

- b. Plant Variety Protection Act. This program offers legal protection to developers of novel varieties of sexually reproduced plants through the issuance of a certificate. These certificates assure developers exclusive rights to sell, reproduce, import, or export such varieties, or use them in the production of hybrids of different varieties for a period of 18 years. Fees are charged to those applying for certificates of protection and the funds are retained by the Department to fund the program.

Plant Variety Protection Workload Data:

	FY 1988 <u>Actual</u>	FY 1989 <u>Estimate</u>	FY 1990 <u>Estimate</u>
Backlog of applications, beginning of year	264	267	265
New applications received	238	210	220
Certificates issued	215	210	210
Applications abandoned	20	5	10
Pending applications, end of year	267	262	262
Number of years to process backlog applications	1.2	1.2	1.2

- c. The Research and Promotion Acts. The various Research and Promotion Acts provide for the collection of an assessment from producers to carry out research and promotion activities for beef, cotton, dairy products, eggs and egg products, honey, pork, potatoes, and watermelon. It is the responsibility of AMS to review and approve the budgets and the projects proposed by the research and promotion boards. Each research and promotion activity reimburses AMS for the cost of overseeing these programs.

Research and Promotion Programs
(Dollars in Millions)

Programs	<u>FY 1988 Actual</u>		<u>FY 1989 Estimate</u>		<u>FY 1990 Estimate</u>	
	Assessments	Funds	Assessments	Funds	Assessments	Funds
	<u>Collected</u>	<u>Expended</u>	<u>Collected</u>	<u>Expended</u>	<u>Collected</u>	<u>Expended</u>
Beef	\$44.6	\$44.4	\$47.1	\$47.4	\$47.0	\$47.3
Cotton	36.3	23.9	30.7	24.0	27.7	22.8
Dairy	77.5	87.4	76.5	82.5	78.3	84.0
Egg	3.9	3.0	3.8	2.2	3.8	2.2
Honey	2.0	2.6	2.0	2.2	2.0	1.9
Pork	24.7	24.3	26.2	26.4	24.8	24.7
Potato	<u>5.9</u>	<u>4.6</u>	<u>5.7</u>	<u>4.4</u>	<u>5.7</u>	<u>4.4</u>
Total	194.9	190.2	192.0	189.1	189.3	187.3

The Beef Promotion and Research Act became effective in July 1986. Assessments under the program began October 1, 1986. On May 10, 1988, producers decided in a referendum to continue the program by a vote of 79 percent in favor and 21 percent opposed. Refunds totaling \$7,520,000 were mailed by August 25, 1988, to those producers and importers who requested them prior to the referendum. In accordance with the Act, the provision for refunds was terminated upon the Secretary's announcement of the results of the referendum on May 27, 1988.

The Pork Promotion, Research, and Consumer Information Program became effective as part of the 1985 Food Security Act. Assessments under this program began in November 1986. A referendum held September 7 and 8, 1988 determined that this program should be continued with 77.5 percent of voters in favor of its continuation and 22.5 percent opposed to it. The provision for refunds in the Act was terminated on September 27, 1988.

Hearings on the need for a research and promotion program, authorized under the Watermelon Research and Promotion Act of 1985, were held in February and March of 1987. A recommended decision resulting from those hearings was published on March 7, 1988. Comments resulting from the published decision are currently being reviewed before the Secretary issues a decision on whether a referendum will be held to determine producer and handler support for the proposed program.

The egg research and promotion order was amended October 31, 1988 to eliminate the provision providing for a producer refund. The amended order is subject to a referendum 18 months after signing. The American Egg Board is required to establish an escrow account in the amount of 10 percent of total assessments collected, and producers will be entitled to a one-time refund if the amended order is not approved in the referendum. Refunds will not be made if the referendum is approved. Funds available for research and promotion activities under the amended order will be increased by approximately \$1.2 million.

4. Wholesale Market Development:

Activities in this program are carried out under the authority of the Agricultural Marketing Act of 1946.

The Wholesale Market Development Program conducts research and provides technical assistance aimed at improving food marketing efficiency. It emphasizes the most effective types of facilities needed to market farm products and distribute food within urban areas and assesses alternative marketing systems and practices. Projects are conducted in cooperation with growers, trade groups, individual food companies, and State and local governments.

In FY 1989, field work is underway in the Phoenix, Arizona area to assess the need for a regional wholesale food distribution center. A study of the Maryland Wholesale Food Center, serving the Baltimore-Washington region, is nearing completion and will outline the economic and technical efficiency improvements needed for the development of modern wholesale food markets. Field work is also underway involving long range planning for further development of the Hunts Point Food Distribution Center in the Bronx, New York. Other major program activities include preliminary analysis and technical assistance for market development in

South Carolina, Ohio, Missouri, Virginia, Massachusetts, and Maine. We are also working closely with the food industry and local governments in Syracuse and Buffalo, New York; San Diego, California; southern New Jersey; and central North Carolina, to help implement previous research findings where construction of new market facilities is either underway or in the advanced planning stage.

Other activities supporting wholesale marketing and marketing systems are also underway including: identification of alternative marketing opportunities for farmers; Universal Product Code development for variable weight produce; a market analysis and feasibility of building an alfalfa cubing plant; alternative methods for disinfection of grapefruit; centralized marketing of fresh vegetables by 14 small farmer cooperatives constituting the Horticultural Producer Federated Association; improved workplace designs for meat and poultry inspection; exporting dry edible beans to Europe; developing a commercial fresh vegetable industry in the Washington-Oregon region to export fresh vegetables to the Pacific Rim countries; feasibility of farmers' market facilities in northern Kentucky; and instrumentation of tobacco grading.

Wholesale Market Development Workload Data:

	FY 1988 <u>Actual</u>	FY 1989 <u>Estimate</u>	FY 1990 <u>Estimate</u>
Wholesale market facilities studies completed	3	4	-
Research projects completed	4	4	-

OIG Reports:

#01031-43-At	1/5/88	South Florida Lime and Avocado Administrative Committees -- Audit survey contained recommendations concerning committee membership policies, election practices, and use of funds.
#01099-24-Hy	7/18/88	National Dairy Promotion Program -- Audit included several recommendations in Agency and the National Dairy Board policies and procedures.
#01099-15-At	9/30/88	Implementation of the Research and Promotion Acts -- Audit recommending a variety of actions relating to AMS and promotion board practices including increasing separation between promotion board and industry activities.

MARKETING SERVICES

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$615,000 for market news (\$15,751,000 available in FY 1989) consisting of:

- (a) an increase of \$167,000 to offset increased operating costs.

Need for Change. An increase is needed to maintain agency efforts to collect, analyze, and disseminate timely market news information.

Nature of Change. Resources will be increased to provide the funding necessary to continue current program levels.

- (b) an increase of \$448,000 to enhance market news activities.

Need for Change. The goal of the market news program is to provide the public with timely, accurate, and understandable information on current market conditions. Continued improvements in the computer technology used for the collecting, processing, and disseminating market news information is necessary to make the information more timely and useful.

Nature of Change. It is necessary to continue development of a computerized data base and communications network which will provide a more structured and consistent data reporting format for users of market news information. The improvements to the system will further enhance the operational efficiency of market news, allow the information to be accessible to a greater number of buyers and sellers and allow users to manipulate data, thereby increasing the efficient utilization of the information.

- (2) A net decrease of \$601,000 for inspection and standardization (\$13,961,000 available in FY 1989) consisting of:

(a) an increase of \$104,000 to offset increased operating costs.

Need for Change. An increase is needed to keep commodity grade standards current and to make inspection services available to all who require or request them.

Nature of Change. Resources will be increased to provide the funding necessary to continue current program levels.

(b) An increase of \$72,000 to fund increased costs for utilization of State personnel.

Need for Change. State employees are utilized to monitor shell egg surveillance plants and the States are reimbursed for the costs of these services. It is anticipated that State salary costs will increase by 5%.

Nature of Change. Resources will be increased to provide the funding necessary to continue current program levels.

(c) a decrease of \$777,000 to transfer funding of the governmentwide food specification program from Marketing Services to Section 32 Administrative.

Need for Change. The governmentwide food specification program is responsible for improving the efficiency of Federal food procurement, including Section 32 purchases and procurement by the Department of Defense, the Veterans Administration, and other Federal agencies.

Nature of Change. Funding for the governmentwide food specification program would be transferred to the Section 32 Administrative account where funds are currently provided for the administrative costs of procuring commodities. As a result of this transfer, all procurement-related activities will be funded from the same source.

- (3) A net decrease of \$829,000 for market protection and promotion (\$2,070,000 available in FY 1989) consisting of:

(a) an increase of \$6,000 to offset increased operating costs.

Need for Change. An increase is needed to allow the Agency to provide full services for the market protection and promotion programs which are not being proposed for elimination.

Nature of Change. Resources will be increased to provide the funding necessary to continue current program levels.

(b) a net decrease of \$597,000 for the Federal Seed Act consisting of a decrease of \$1,047,000 to eliminate the program and a one-year appropriation of \$450,000 to fund closeout costs.

Need for Change. Currently, interstate seed commerce regulated by the Federal Seed Act is performed under cooperative agreement by Federal and State employees. The States have seed laws which provide appropriate seed regulation according to the States' internal needs. These laws regulate intrastate commerce in agricultural and vegetable seeds. In addition, the laboratory tests currently provided under the Act can be obtained from private commercial labs and some State labs.

Nature of Change. AMS activities under the Federal Seed Act will be eliminated since State seed laws provide a satisfactory level of consumer protection. Although the Department would no longer carry out activities authorized by the Federal Seed Act, AMS will continue to provide voluntary seed testing services on a fee basis under authority of the Agricultural Marketing Act of 1946; inspection of imported seed for noxious weed content will be provided by APHIS pursuant to the Federal Noxious Weed Act. Program closeout funds are required to finance costs that will remain once the program has been eliminated. These costs include workers' and unemployment compensation, severance pay, and accrued annual leave liability.

- (c) a decrease of \$238,000 for the plant variety protection program which is now funded by user fees.

Need for Change. The Plant Variety Protection Act has been amended to allow user fee funds collected for this program to be deposited in a no-year account available for use by AMS. Appropriated funding was provided in FY 1989 to complete processing of those applications received prior to the program becoming self-sufficient. This backlog has been eliminated; therefore, appropriated funding is no longer needed.

Nature of Change. The plant variety protection program will be fully funded through user fee assessments.

- (4) A net decrease of \$316,000 for wholesale market development (\$1,591,000 available in FY 1989) consisting of a decrease of \$1,591,000 to eliminate the program and a one year appropriation of \$1,275,000 to fund closeout costs.

Need for Change. Federal participation in the development of major wholesale markets in recent years has provided the research and technology necessary for local governments and the private sector to continue this work. Closeout expenses include those costs that remain after elimination of the program such as workers' and unemployment compensation, severance pay, and accrued annual leave liability.

Nature of Change. The wholesale market development program will be eliminated. Local research and assistance for improved food distribution can be provided as needed by State, local or private groups. Closeout funds will be provided to cover liabilities that remain after program elimination.

Agricultural Marketing Service
Proposed for Later Transmittal, Proposed Legislation

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

		1990	
	Current Law	Program Changes	President's Request
Market News Service	\$16,366,000	-\$30,000	\$16,336,000
Inspection, Grading and Standardization	13,360,000	-3,702,000	9,658,000
Market Protection and Promotion.....	1,241,000	-791,000	450,000
Wholesale Market Development.....	1,275,000	--	1,275,000
Conversion Costs	<u>--</u>	<u>+277,000</u>	<u>+277,000</u>
Total Available.....	<u>32,242,000</u>	<u>-4,246,000</u>	<u>27,996,000</u>

Explanation of Proposed Legislation:

The Agricultural Marketing Service provides market news information to the agricultural community. Subscription fees are currently charged to cover the cost of postage, printing and handling for all printed commodity reports except for tobacco reports. This proposal would allow user fees to be charged to recover these costs for all commodities.

AMS develops, reviews, and maintains agricultural commodity standards that describe product quality attributes for use in the voluntary grading programs. This proposal would shift the funding source from Marketing Services to user fees. The cost for commodity standards would be charged to users of the grading programs as a part of the grading fees.

Market development and assistance is provided through economic and statistical analysis of commodity markets for use in the marketing agreements and orders program. The budget includes a proposal to recover costs of this program through user fees.

The request of \$277,000 is to fund leave and other liabilities accrued under the current program which if funds are not provided would become an immediate liability under a user fee program.

Agricultural Marketing Service
Marketing Services
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 and Estimated 1989 and 1990

	1988		1989		1990	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Alabama	\$402,811	10	\$408,000	10	\$414,000	10
Alaska	6,597	--	7,000	--	7,000	--
Arizona	242,871	6	256,000	6	260,000	6
Arkansas	421,997	10	441,000	10	447,000	10
California	1,976,921	47	2,074,000	49	2,103,000	48
Colorado	309,775	7	327,000	8	332,000	8
District of Columbia.	13,572,286	204	14,168,000	209	12,798,000	153
Florida	327,651	8	345,000	8	350,000	8
Georgia	620,655	15	652,000	15	661,000	15
Hawaii	6,776	--	7,000	--	7,000	--
Idaho	68,654	2	72,000	2	73,000	2
Illinois	593,083	14	625,000	15	634,000	15
Indiana	340,319	8	356,000	8	361,000	8
Iowa	2,312,394	56	2,426,000	57	2,430,000	57
Kansas	147,422	4	156,000	4	158,000	4
Kentucky	93,585	2	99,000	2	100,000	2
Louisiana	147,003	3	155,000	4	157,000	4
Maine	91,415	2	96,000	2	97,000	2
Maryland	137,266	3	144,000	3	146,000	3
Massachusetts	159,277	4	168,000	4	170,000	4
Michigan	134,220	3	141,000	3	143,000	3
Minnesota	834,203	20	875,000	21	887,000	20
Mississippi	236,254	6	248,000	6	251,000	6
Missouri	770,713	18	808,000	19	819,000	19
Montana	55,854	1	59,000	1	60,000	1
Nebraska	241,867	6	255,000	6	259,000	6
New Jersey	743,195	18	780,000	18	791,000	18
New Mexico	5,662	--	6,000	--	6,000	--
New York	690,015	17	725,000	17	735,000	17
North Carolina	1,075,253	26	1,125,000	27	1,141,000	26
Ohio	252,902	6	265,000	6	269,000	6
Oklahoma	150,455	4	158,000	4	160,000	4
Oregon	173,266	4	182,000	4	185,000	4
Pennsylvania	535,930	13	563,000	13	571,000	13
Puerto Rico	37,769	1	39,000	1	40,000	1
South Carolina	615,425	15	671,000	15	680,000	15
South Dakota	121,814	3	129,000	3	131,000	3
Tennessee	1,271,789	31	1,365,000	31	1,384,000	31
Texas	713,028	17	751,000	18	762,000	17
Utah	52,131	1	54,000	1	55,000	1
Virginia	21,536	--	22,000	1	22,000	1
Virgin Islands	436	--	--	--	--	--
Washington.....	483,519	12	508,000	12	515,000	12
West Virginia	66,350	2	70,000	2	71,000	2
Wisconsin	489,376	12	512,000	12	519,000	12
Wyoming	76,142	2	80,000	2	81,000	2
Total, Available or Estimate	\$31,827,862	643	\$33,373,000	659	\$32,242,000	599

AGRICULTURAL MARKETING SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

[Payments to States and Possessions:]

[For payments to departments of agriculture, bureaus and departments of markets, and similar agencies for marketing activities under section 204(b) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1623(b)), \$942,000.]

This change proposes deletion of the Payments to States program which has been in effect since 1948. During that period of time, those interested State Departments of Agriculture have been able to build a capability to respond to marketing service needs. The Administration no longer believes it is necessary to assist State Departments of Agriculture in conducting marketing service projects geared to developing ongoing State capabilities and services, or to address specific local marketing problems.

PAYMENTS TO STATES AND POSSESSIONS

Appropriation Act, 1989	\$942,000
Budget Estimate, 1990	--
Decrease in Appropriation	<u>-942,000</u>

PROJECT STATEMENT

Project	: 1988 : Actual	: 1989 : Estimated	: Decrease	: 1990 : Estimated
Payments for marketing service	:	:	:	:
work under Section 204(b) of	:	:	:	:
the Agricultural Marketing	:	:	:	:
Act of 1946.....	: \$942,000:	\$942,000	-\$942,000	: --
	:	:	:	(1):
Total, appropriation	: 942,000:	942,000	-942,000	: --

EXPLANATION OF PROGRAM

The Federal-State Marketing Improvement Program is authorized by Section 204(b) of the Agricultural Marketing Act of 1946. This legislation also grants the U.S. Department of Agriculture authority to establish cooperative agreements with State Departments of Agriculture or similar State agencies. These agreements make possible joint efforts to improve the efficiency of the agricultural marketing chain. The States perform the work or contract it to others, and must contribute at least half of the cost of the projects.

Payments are made to State marketing agencies to: identify and market test alternative farm commodities; determine methods of providing more reliable market information, and develop better commodity grading standards. This program has covered many types of projects, such as electronic marketing and agricultural product diversification. The general themes of the current projects includes the adaptation of new technology to the marketing of farm products, and seeking new outlets for existing farm produced commodities.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$942,000 for elimination of the Payments to States and Possessions program (\$942,000 available in FY 1989).

Need for Change. Federal funds have been provided to States to pay up to half the cost of pilot-testing cooperatively sponsored projects proposed by the States to solve local marketing problems. The program has been underway since 1948 and during that period of time those State Departments of Agriculture so inclined have been able to develop a capability to respond to their marketing service needs. While the program is still beneficial, the overall priority of the activity has declined in light of the Administration's efforts to reduce the Federal deficit.

Nature of Change. Federal matching funds would no longer be provided to assist States in funding projects to deal with specific State or local marketing problems.

Agricultural Marketing Service
 Payments to States and Possessions
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Colorado	\$40,000		
Idaho	59,200		
Indiana	60,000		
Kansas	50,000		
Massachusetts	15,000		
Missouri	40,000		
Nebraska	93,785		
Oklahoma	80,000		
Oregon	20,000		
Texas	347,925		
Virginia	45,000		
Washington	75,000		
Wyoming	<u>16,090</u>		
Total, Available or Estimate	<u>\$942,000</u>	<u>\$942,000 a/</u>	<u>--</u>

a/ Distribution of obligations by State not available until projects have been selected for funding in FY 1989.

PERISHABLE AGRICULTURAL COMMODITIES ACT FUND

Appropriation Act, 1989 (from receipts)	\$5,500,000
Budget Estimate, 1990 (from receipts)	<u>5,500,000</u>
Change in Appropriation	<u> -- </u>

PROJECT STATEMENT

(On basis of available funds)

Project	: 1988 Actual	: 1989 Estimated	: Increase:	: 1990 Estimated
	: Staff-	: Staff-	: or	: Staff-
	: Amount	: Amount	: Decrease:	: Amount
	: Years	: Years		: Years
Licensing dealers	:	:	:	:
and handling	:	:	:	:
complaints.....	:\$4,744,730: 119	:\$5,500,000: 127	: --	:\$5,500,000: 127
Unobligated	:	:	:	:
balance available	:	:	:	:
start of period..	:-339,526: --	:-1,270,892: --	: --	:-1,270,892: --
Unobligated	:	:	:	:
balance available	:	:	:	:
end of period....	: 1,270,892: --	: 1,270,892: --	: --	: 1,270,892: --
Total available	:	:	:	:
or estimate.....	:\$5,676,096: 119	:\$5,500,000: 127	: --	:\$5,500,000: 127

OBLIGATION LEVELS

(On basis of available funds)

Item	: 1988	: 1989	: 1990
	: Actual	: Estimated	: Estimated
Appropriation (from receipts)	:\$5,676,096	:\$5,500,000	:\$5,500,000
Unobligated balance available, start of	:	:	:
period	: 339,526	: 1,270,892	: 1,270,892
Total available	: 6,015,622	: 6,770,892	: 6,770,892
Total obligations	:-4,744,730	:-5,500,000	:-5,500,000
Unobligated balance available, end of	:	:	:
period	: 1,270,892	: 1,270,892	: 1,270,892

EXPLANATION OF PROGRAMPERISHABLE AGRICULTURAL COMMODITIES ACT

This program is carried out under the Perishable Agricultural Commodities Act and the Produce Agency Act.

These Acts are designed to: (1) protect producers, shippers, distributors and retailers from unfair and fraudulent practices in the marketing of perishable agricultural commodities; and (2) prevent the unwarranted destruction or dumping of farm products handled for others.

Commission merchants, dealers, brokers, and retailers engaged in the business of handling fresh or frozen fruits and vegetables in interstate or foreign commerce must be licensed under the Perishable Agricultural Commodities Act. Buyers and sellers must fulfill the terms of contractual agreements, and buyers must pay promptly for their purchases.

Traders who have been found in a formal proceeding to have violated the prompt payment provision of this Act are penalized by restrictions on trading in the industry for a specific period of time. When eligible to resume trading, they are required to post surety bonds before operating. False or misleading statements, misbranding, and similar violations are prohibited.

To increase protection and avert financial losses to growers and licensed firms, the Perishable Agricultural Commodities Act was amended in May 1984 to create a statutory trust. This statutory trust provision requires traders to have sufficient assets on hand to meet their obligations to fruit and vegetable suppliers. Sellers of fruits and vegetables who have not been paid are secured under this legislation until full payment is made. These sellers are also secured in the event the buyer files for bankruptcy or becomes insolvent. This amendment also improves the timeliness of payment.

Complaints of violations are investigated and violations dealt with by: (1) informal agreements between the two parties; (2) formal decisions involving payment of reparation awards; and/or (3) suspension or revocation of license and/or publication of the facts. Any interested party or group may request AMS assistance in settling disputes under the Perishable Agricultural Commodities Act.

License fees are deposited into a special fund and are used to meet the costs of administering the Act. The annual PACA license fee is \$300, plus \$150 for every branch or business facility above nine, up to a maximum annual fee of \$3,000.

Perishable Agricultural Commodities Act Workload Data:

	FY 1988 <u>Actual</u>	FY 1989 <u>Estimate</u>	FY 1990 <u>Estimate</u>
<u>Licensing Activities:</u>			
Licenses renewed	14,530	14,630	14,730
New licenses issued	<u>1,886</u>	<u>1,900</u>	<u>2,000</u>
In effect, end of year	16,416	16,530	16,730
<u>Actions Completed: *</u>			
License actions	18,508	18,600	18,650
Reparation actions	39,765	40,000	40,500
Disciplinary actions	205	250	280
Personal investigations	2,221	2,428	2,478
Statutory Trust actions	55,000	60,000	65,000
Misbranding actions	<u>700</u>	<u>750</u>	<u>775</u>
Total Actions Completed	116,399	122,028	127,683
<u>Reparations:</u> (Dollars in Thousands)			
Awarded - Formal orders	\$6,500	\$7,000	\$7,500
Payments - Amicable settlements	<u>13,700</u>	<u>15,000</u>	<u>15,000</u>
Total Reparations	\$20,200	\$22,000	\$22,500
<u>Statutory Trust</u>			
Notices Filed	55,000	60,000	65,000
Refunds to sellers (Dollars in Millions)	\$200	\$225	\$250

* Statutory Trust Notices included in Actions Completed.

Agricultural Marketing Service
Perishable Agricultural Commodities Act
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 and Estimated 1989 and 1990

	<u>1988</u>		<u>1989</u>		<u>1990</u>	
	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>
Arizona	\$509,290	15	\$590,000	17	\$590,000	17
District of Columbia...	2,923,063	64	3,388,000	67	3,388,000	67
Illinois.....	449,555	14	521,000	15	521,000	15
New Jersey	416,126	12	483,000	13	483,000	13
Texas.....	446,696	14	518,000	15	518,000	15
Total, Available or Estimate.....	<u>\$4,744,730</u>	<u>119</u>	<u>\$5,500,000</u>	<u>127</u>	<u>\$5,500,000</u>	<u>127</u>

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Limitation on Administrative Expenses:

Not to exceed [\$34,000,000] \$35,462,000 (from fees collected) shall be obligated during the current fiscal year for administrative expenses.

Limitation on Administrative Expenses

Appropriation Act, 1989	\$34,000,000
Budget Estimate, 1990	<u>35,462,000</u>
Increase in Limitation	<u>+1,462,000</u>

The increase of \$1,462,000 in the limitation on administrative expenses is needed to fund increased operating costs in FY 1990.

PASSENGER MOTOR VEHICLES

The 1990 Budget Estimates propose the purchase of twelve replacements and three additional motor vehicles.

The estimated number of passenger motor vehicles available for 1990 are the minimum necessary to maintain essential services in AMS programs. These cars are used to provide the following necessary services: (1) traveling to places which in most cases are not accessible by common carriers, such as farms, market terminals, offices of product dealers and truckers, processing plants, canneries, stockyards, cotton gins, and compress operators; (2) carrying special grading and testing equipment used for inspecting and grading commodities and for performing other work required under the Agricultural Marketing Act of 1946; U.S. Cotton Standards Act; Cotton Statistics and Estimates Act; Tobacco Inspection Act; and Dairy and Tobacco Adjustment Act; and (3) carrying boxes of cotton standards types used in classing work and demonstration at farmers' meetings.

Additional passenger motor vehicles. Three additional passenger motor vehicles are requested for use in performing increased exported tobacco inspection and grading services. The tobacco grading program has experienced an increase in grader workload as a result of expanding tobacco exports. In order to meet the anticipated demand for services, additional vehicles are needed to transport inspectors from regional offices to grading sites. It is more cost-effective for the government to provide cars to transport graders than to pay expenses incurred for the use of a private car.

The regional offices for the Tobacco program are located in Lexington, KY, and Raleigh, NC. Thus, vehicles used in this program would be based in these cities.

Replacement of passenger motor vehicles. Replacement of 12 of the 59 vehicles now in operation is proposed. All vehicles proposed to be replaced are expected to have mileage over 60,000 or will be more than six years of age.

The age and mileage data for passenger motor vehicles on hand as of September 30, 1988, are as follows:

Age Data			Mileage Data		
Age-Year Model	Number of Vehicles	Percent of Total	Lifetime Mileage	Number of Vehicles	Percentage of Total
1982 or older	6	10	80-100	1	2
1983	5	9	60-80	10	17
1984	6	10	40-60	8	14
1985	10	17	20-40	9	15
1986	3	5	Under 20	31	52
1987	3	5	Total	59	100
1988	26	44			
Total	59	100			

FUNDS FOR STRENGTHENING MARKETS, INCOME, AND SUPPLY (SECTION 32)

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Funds For Strengthening Markets, Income and Supply (Section 32):

Funds available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c) shall be used only for commodity program expenses as authorized therein, and other related operating expenses, except for: (1) transfers to the Department of Commerce as authorized by the Fish and Wildlife Act of August 8, 1956; (2) transfers otherwise provided in this Act; and (3) not more than [\$7,811,000] \$8,007,000 for formulation and administration of Marketing ~~Agreements~~ and Orders pursuant to the Agricultural Marketing Agreement Act of 1937, as amended, and the Agricultural Act of 1961.

FUNDS FOR STRENGTHENING MARKETS, INCOME, AND SUPPLY (SECTION 32)

Permanent Appropriation, 1989	\$4,552,833,158
Less transfers to:	
Department of Commerce to promote and develop fishery products and research pertaining to American fisheries	-53,688,326
Food and Nutrition Service, Child Nutrition Programs	-4,093,272,000
Total transfers	-4,146,960,326
Adjusted Base for 1989	405,872,832
Budget Estimate, 1990:	
Annual permanent appropriation	\$4,733,000,549
Less transfers to:	
Department of Commerce	-53,700,000
Food and Nutrition Service	-4,156,554,000
Total transfers	-4,210,254,000
Budget Estimate, 1990	522,746,549
Increase from adjusted 1989	<u>+116,873,717</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1989 Estimated	Program Changes	1990 Estimated
Commodity Purchases	\$350,900,000	--	\$350,900,000
Sunflower Oil Purchase	20,000,000	-\$20,000,000	--
Commodity Purchase Services	3,529,000	+811,000	4,340,000
Marketing Agreements and Orders	7,811,000	+196,000	8,007,000
Total Available	<u>382,240,000</u>	<u>-18,993,000</u>	<u>363,247,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1988 Actual		1989 Estimated		Increase or Decrease	1990 Estimated	
	Amount	:Staff: :Years:	Amount	:Staff: :Years:		Amount	:Staff: :Years:
1. Commodity Purchases:							
a. Child Nutrition Program							
Purchases	\$349,669,678:	--	\$350,900,000:	--	--	\$350,900,000:	--
b. Emergency Surplus Removal ..	98,325,157:	--	--	--	--	--	--
Subtotal	447,994,835:	--	350,900,000:	--	--	350,900,000:	--
2. Disaster Relief	3,253,031:	--	--	--	--	--	--
3. Sunflower Oil Purchase	10,000,000:	--	20,000,000:	--	-\$20,000,000(1)	--	--
4. Administrative Funds							
a. Commodity Purchase Services ..	3,111,356:	25	3,529,000:	27	+811,000	4,340,000:	41
b. Marketing Agreements & Orders ..	7,104,313:	115	7,811,000:	127	+196,000	8,007,000:	127
Subtotal	10,215,669:	140	11,340,000:	154	+1,007,000(2)	12,347,000:	168
Total obligations	471,463,535:	140	382,240,000:	154	-18,993,000	363,247,000:	168
Unobligated balance available, start of year	-221,589,429:	--	-116,867,619:	--	-23,632,832	-140,500,451:	--
Unobligated balance available end of year:	116,867,619:	--	140,500,451:	--	+159,499,549	300,000,000:	--
Total Available or Estimate	366,741,725:	140	405,872,832:	154	+116,873,717	522,746,549:	168

OBLIGATION LEVELS
(On basis of available funds)

Item	1988 Actual	1989 Estimated	1990 Estimated
Appropriation or estimate	\$4,240,881,930	\$4,552,833,158	\$4,733,000,549
Unobligated balance			
available, start of year	<u>221,589,429</u>	<u>116,867,619</u>	<u>140,500,451</u>
Total available	4,462,471,359	4,669,700,777	4,873,501,000
Less transfers to:			
Food and Nutrition			
Service, Child			
Nutrition Programs	-3,817,803,000	-4,093,272,000	-4,156,554,000
Department of Commerce	<u>-56,337,205</u>	<u>-53,688,326</u>	<u>-53,700,000</u>
Total transfers	<u>-3,874,140,205</u>	<u>-4,146,960,326</u>	<u>-4,210,254,000</u>
Total available after			
transfers	588,331,154	522,740,451	663,247,000
Less total obligations	<u>-471,463,535</u>	<u>-382,240,000</u>	<u>-363,247,000</u> a/
Unobligated balance			
available, end of year	<u>116,867,619</u>	<u>140,500,451</u>	<u>300,000,000</u>

a/ Under proposed legislation, total obligations in FY 1990 will be decreased to \$355,486,000.

EXPLANATION OF PROGRAM

Under Section 32 of the Act of August 24, 1935, (7 U.S.C. 612c) an amount equal to 30 percent of customs receipts collected during each preceding calendar year and unused balances up to \$300 million are available for encouraging the domestic consumption and exportation of agricultural commodities. An amount equal up to 30 percent of receipts collected on fishery products is transferred to the Department of Commerce. Additionally funds are transferred to the Food and Nutrition Service for use by the Child Nutrition Programs as provided in the current Appropriation Act.

Commodity Purchases:

Pursuant to Section 32, the Agricultural Marketing Service (AMS) directs the purchase of commodities such as meats and fish, fruits and vegetables, and poultry in order to stabilize market conditions. The commodities acquired are generally distributed through domestic food assistance programs administered by the Food and Nutrition Service (FNS). Most of the commodities purchased are used to meet a portion of the commodity subsidy authorized for the National School Lunch Program. Some AMS purchases are donated to domestic feeding programs, including the National School Lunch Program, for use as supplements to basic food packages. In addition, FNS reimburses AMS for the administrative costs associated with commodity purchases made with funds directly appropriated to FNS domestic feeding programs.

	FY 1988 <u>Actual</u>	FY 1989 <u>Estimate</u>	FY 1990 <u>Estimate</u>
Contract bids received:			
Fruits and Vegetables	728	762	801
Meat & Fish.....	716	750	750
Poultry	<u>669</u>	<u>720</u>	<u>650</u>
Total	2,113	2,232	2,201
Contracts awarded:			
Fruits and Vegetables	377	400	422
Meat & Fish.....	479	500	500
Poultry	<u>434</u>	<u>410</u>	<u>420</u>
Total	1,290	1,310	1,342

Summary of Purchases by Commodity Group
(In thousands)

<u>Commodity Group</u>	<u>1987 Actual</u>		<u>1988 Actual</u>	
	<u>Pounds</u>	<u>Obligations</u>	<u>Pounds</u>	<u>Obligations</u>
Poultry.....	99,588	\$79,740	98,587	\$69,105
Meat & Fish.....	167,636	164,975	188,966	213,170
Fruit	147,719	63,856	257,939	100,824
Vegetables	184,966	53,447	222,010	64,896
Total	599,909	\$362,018	767,502	\$447,995

Section 32 Commodity Purchases
FY 1987 and 1988
(In thousands)

<u>Item</u>	<u>1987 Actual</u>		<u>1988 Actual</u>	
	<u>Pounds</u>	<u>Obligations</u>	<u>Pounds</u>	<u>Obligations</u>
Apple Juice, Canned	--	--	37,111	\$9,422
Apple Slices, Canned	--	--	12,372	5,133
Apples, Fresh	--	--	7,741	1,387
Applesauce	--	--	52,378	12,898
Beans, Dry	6,998	\$1,921	12,006	2,449
Beans, Green, Canned	17,269	3,728	--	--
Beans, Green, Frozen	2,158	541	--	--
Beans, Refried, Canned.....	1/	1/	5,220	1,402
Beans, Vegetarian	5,155	957	14,475	2,680
Beef, Boneless, Frozen	1,806	1,945	1,260	1,427
Beef, Bulk, Frozen, Ground ..	116,456	114,266	103,974	119,412
Beef, Canned	--	--	288	403
Beef Patties	30,536	27,832	26,635	27,835
Blackberries, Frozen	624	400	624	419
Cherries, Red, Frozen	36,005	14,559	18,364	6,801
Chicken, Bulk, Chilled	3,744	1,977	1,938	1,106
Chicken, Frozen, Cut-Up	35,559	21,662	35,539	20,763
Chicken, Nuggets	8,681	11,869	--	--
Chicken, Patties	--	--	2,242	2,880
Chicken, Thighs/Drumsticks ..	988	508	--	--
Corn, Canned	--	--	14,059	3,793
Corn, Frozen.....	--	--	3,468	1,496
Date Pieces	--	--	5,105	4,800
Egg Mix	--	--	3,944	4,998
Eggs, Whole, Frozen	--	--	21,607	9,991
Figs, Dried	2,161	2,000	2,001	2,031
Ham, Cooked, Frozen	--	--	4,619	6,939
Luncheon Meat	758	1,034	756	1,026
Mixed Fruit, Canned	10,296	4,517	12,530	5,913
Mixed Vegetables, Frozen	14,120	4,900	13,704	4,546
Peaches, Canned	26,445	10,905	14,915	6,836
Peaches, Frozen	--	--	573	324
Pears, Canned	38,915	13,933	38,936	15,187
Pears, Fresh	2,297	700	7,760	2,193
Peas, Canned	10,397	2,398	--	--
Peas, Frozen	4,558	1,159	--	--
Pineapple, Canned	18,675	7,767	18,153	7,247
Plums, Canned	3,102	806	3,699	990
Pollock Nuggets, Frozen	1,226	1,734	10,433	12,719
Pollock Portions, Frozen	40	61	--	--
Pork, Frozen, Ground	10,493	11,374	33,816	33,524
Potato Rounds, Frozen ...	35,230	10,218	51,860	15,872
Potatoes, French Fries	35,120	10,004	74,887	20,928
Potatoes, Sweet, Mashed	813	201	832	183
Potatoes, Sweet, Syrup Pack .	7,338	2,308	6,854	1,945
Prunes, Dried	72	95	12,954	7,803

Item	1987 Actual		1988 Actual	
	Pounds	Obligations	Pounds	Obligations
Raisins	7,032	4,000	7,449	4,870
Tomatoes, Canned	21,634	6,031	7,494	2,790
Tomatoes Crushed, Canned	3,866	1,105	12,591	4,511
Tomato Paste	20,213	7,953	4,621	2,315
Tuna, Canned	6,402	6,841	7,185	9,884
Turkey, Chilled	3,528	1,797	3,744	1,747
Turkey, Roast	18,643	25,466	19,026	21,056
Turkey, Whole, Frozen.....	28,444	16,461	10,547	6,564
Walnuts, English	2,201	4,200	4,273	6,570
Miscellaneous	-89	-115	-60	-13
Total	599,909	\$362,018	767,502	\$447,995

1/ Less than a thousand dollars

Marketing Agreements and Orders:

The marketing agreements and orders program is authorized by the Agricultural Marketing Agreement Act of 1937. Section 32 funds authorized under 7 U.S.C. 1392b are used by the Department for administering marketing agreements and order programs at the national level and for public hearings and referenda to determine producer sentiment concerning new programs and proposed revisions of marketing orders already in effect. Administration at the local level is financed through handler assessments.

Marketing orders are designed to stabilize market conditions and to improve the returns for fluid milk and fruit and vegetable producers. Stabilized market conditions are accomplished by: (1) establishing minimum prices which handlers pay to dairy producers; and (2) regulating the quality and quantity of fruits and vegetables sold in commercial channels.

The orders are requested by producers and handlers. Evaluations and hearings on proposed marketing orders are conducted by AMS. Proposed orders are subject to approval by producers of the regulated commodity. Once approved, the Secretary issues the marketing order and sets the effective date of the order.

Marketing Agreements and Orders Workload Data:

	Fluid Milk Orders			Fruit, Vegetable and Specialty Crop Orders		
	1988 Actual	1989 Est.	1990 Est.	1988 Actual	1989 Est.	1990 Est.
Agreement and order programs in effect.....	42	41	42	44	46	47
Requests received for new programs.....	1	--	--	3	4	2
Hearings and Petitions:						
Hearings held to consider amendments to existing orders or the issuance of orders in new areas	10	10	10	4	5	3
Amendments issued	8	9	9	3	3	3
Suspensions issued	16	15	15	--	--	--
Petitions received for review of orders	12	11	11	--	--	--
Petitions disposed of during the year	12	11	11	--	--	--
Administrator's decisions issued	9	8	8	2	6	3

	Fluid Milk Orders			Fruit, Vegetable and Specialty Crop Orders		
	1988	1989	1990	1988	1989	1990
	Actual	Est.	Est.	Actual	Est.	Est.
Secretary's decisions issued	8	9	9	1	5	2
Secretary's referendum orders issued	3	2	2	1	5	2
Termination orders issued	3	3	3	1	2	2
<u>Order Operation and Enforcement:</u>						
Regulatory orders issued	N/A	N/A	N/A	133	154	188
Investigation of alleged violations	60	65	65	43	50	50
Cases referred to the Department of Justice for prosecution	20	20	20	2	20	20
Court cases resolved	15	20	20	5	10	15
<u>Order Management:</u>						
Appointment of an administrative committee	N/A	N/A	N/A	34	35	37
Promulgation of committee rulemaking	N/A	N/A	N/A	22	26	40
Budgets approved	16	16	16	45	43	45

SECTION 32
JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$20,000,000 for the purchase of sunflower seed oil. This purchase was authorized for FY 1989 in the Rural Development, Agriculture, and Related Agencies Appropriations Act, (P.L. 100-460).
- (2) An increase of \$1,007,000 for administrative expenses (\$11,340,000 available in FY 1989) consisting of:
 - (a) An increase of \$34,000 to offset increased operating costs for the commodity purchase services program in FY 1990.
 - (b) An increase of \$196,000 to offset increased operating costs for the marketing agreements and orders program in FY 1990.
 - (c) An increase of \$777,000 to transfer funding for the governmentwide food specification program in FY 1990 from Marketing Services.

Need for Change. The development, coordination, and approval of food product descriptions, and the establishment of quality assurance policies and procedures for the procurement of food for USDA, the Department of Defense, and the Veterans Administration are more appropriately funded in conjunction with commodity procurement services funded through Section 32.

Nature of Change. Funding for the governmentwide food specification program will be transferred from Marketing Services to Section 32 Administrative.

Funds for Strengthening Markets, Income, and Supply
(Section 32)

Summary of Proposed Legislation

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

<u>Item of Change</u>	1990		
	<u>Current Law</u>	<u>Program Changes</u>	<u>President's Request</u>
Commodity Purchases	\$350,900,000	--	\$350,900,000
Commodity Purchase Services	4,340,000	--	4,340,000
Marketing Agreements and Orders	8,007,000	-\$8,007,000	--
Conversion Costs	--	+246,000	246,000
Total Available	<u>363,247,000</u>	<u>-7,761,000</u>	<u>355,486,000</u>

Explanation of Proposed Legislation

Federal costs of administering marketing agreements and orders, which help stabilize market prices and supply for certain commodities, are presently funded through the Section 32 appropriation. Costs of administering marketing agreements and orders at the local level are funded through assessments on regulated handlers. The proposed legislation would allow AMS to recover Federal administrative costs through an assessment on handlers. The request of \$246,000 is to fund leave liability under the current program that would become an immediate liability under a user fee program.

Agricultural Marketing Service
Section 32 Administrative Funds
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 AND ESTIMATED 1989 AND 1990

	1988		1989		1990	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
California	\$546,083	10	\$620,000	11	\$645,000	11
District of Columbia	9,232,224	121	10,163,000	132	11,124,000	146
Florida	129,946	3	143,000	3	146,000	3
Oregon	193,860	4	250,000	5	260,000	5
Texas.....	113,556	2	164,000	3	172,000	3
Total, Available or Estimate.....	\$10,215,669	140	\$11,340,000	154	\$12,347,000	168

Disaster Relief
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 AND ESTIMATED 1989 AND 1990

	1988		1989		1990	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Republic of the Marshall Islands ..	\$64,038	--	--	--	--	--
Federated States of Micronesia	3,188,993	--	--	--	--	--
Total, Available or Estimate	\$3,253,031	--	--	--	--	--

Sunflower Oil Purchase
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 AND ESTIMATED 1989 AND 1990

	1988		1989		1990	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Undistributed	\$10,000,000 ^{1/}	--	\$20,000,000 ^{1/}	--	--	--
Total, Available or Estimate	\$10,000,000 ^{1/}	--	\$20,000,000 ^{1/}	--	--	--

^{1/} Distribution by State cannot be determined.

Agricultural Marketing Service
Commodity Purchases
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 AND ESTIMATED 1989 AND 1990

	1988		1989		1990	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama.....	\$2,441,572					
Arizona	326,588					
Arkansas.....	9,976,845					
California.....	70,277,397					
Colorado.....	5,183,748					
Delaware.....	375,868					
Florida.....	190,398					
Georgia.....	14,689,751					
Hawaii.....	6,557,300					
Idaho.....	4,449,933					
Illinois.....	15,897,993					
Indiana.....	2,864,479					
Iowa.....	3,442,392					
Kansas.....	27,328					
Louisiana.....	860,598					
Maine.....	3,811,540					
Maryland.....	165,758					
Massachusetts....	7,753,895					
Michigan.....	16,043,591					
Minnesota.....	28,546,679					
Mississippi.....	8,596,125					
Missouri.....	30,779,933					
Nebraska.....	49,473,414					
New Jersey	7,944,292					
New York.....	6,917,936					
North Carolina....	9,305,301					
Ohio.....	559,546					
Oklahoma.....	4,648,394					
Oregon.....	5,010,374					
Pennsylvania.....	36,673,305					
Puerto Rico	396,475					
South Carolina ...	194,878					
South Dakota	1,413,872					
Tennessee.....	669,304					
Texas.....	35,154,155					
Utah.....	1,048,308					
Virginia.....	3,867,987					
Washington.....	29,514,348					
Wisconsin.....	21,943,235					
Undistributed.....	--	--	\$350,900,000 1/	--	\$350,900,000 1/	--
Total, Available or Estimate.....	447,994,835	--	\$350,900,000 1/	--	\$350,900,000 1/	--

1/ Since contracts for commodity purchases are awarded to the lowest bidder,
distribution by State cannot be determined at this time.

OFFICE OF TRANSPORTATION

Purpose Statement

The Office of Transportation (OT) was established by Secretary's Memorandum 1966 on December 12, 1978. The Office was formed by consolidating several Departmental transportation functions to solve problems of U.S. and world agricultural transportation systems. Programs are carried out under the following legislation:

1. Agricultural Adjustment Act of 1938.
2. Agricultural Marketing Act of 1946.
3. Agricultural Trade and Assistance Act of 1954.
4. Rural Development Act of 1972.
5. International Carriage of Perishable Foodstuff Act of 1982.
6. Cooperative Marketing Act of 1926.

OT is delegated the authority given the Secretary of Agriculture to represent the interests of Agriculture and rural communities in the U.S. to assure the availability of an adequate and economical transportation system, domestically and internationally. The Office of Transportation is specifically organized to coordinate broad phases of the Department's transportation policies and programs.

The mission of OT is to develop and promote an efficient agricultural transportation system to help improve farm income, expand exports and meet the needs of rural America. The Agency provides technical and administrative direction, coordination, and leadership in the development and execution of agricultural transportation policies and programs of USDA. OT provides a basis for Federal-State decision-makers in regulatory, policy and legislative matters in order to assure the transportation needs of rural communities and agriculture.

The current organization has two divisions--domestic and international--that reflect our Nation's growing interest and emphasis on international trade, while providing continuous identification and timely analysis of domestic transportation impediments. Major program responsibilities are:

1. Domestic Transportation Services

OT determines the impact upon agriculture of proposed changes in transportation legislation, rates, or services and provides for the representation of agricultural interests in such matters before State and Federal agencies. Specifically, OT provides assistance to farmers and agricultural shippers by developing proposals, negotiating with carriers and participating in regulatory proceedings before the Interstate Commerce Commission to resolve high priority transportation issues.

2. Rural Transportation Economics and Development

OT addresses the overall transportation infrastructure needs of rural America in order to access national and world markets. The agricultural community is assisted through economic assessments of deteriorating rural roads and bridges, rail trackage abandonments, deterioration of rural inter-city bus service, and other inland transportation constraints. The Office provides educational programs on domestic and international transportation events and fosters improved Federal, State and local partnerships for solving transportation access problems affecting rural communities.

3. International Policy and Trade Analyses

OT assists agricultural exporters in developing foreign market opportunities through short term economic analyses of port logistics and transport system impediments. Recommendations are directed toward more cost-effective methods to move U.S. products to world markets. Technical assistance is also provided to agricultural exporters on freight rates, plus ocean and intermodal services to meet the transport access needs of American agriculture.

4. Export Services

OT conducts technological research and demonstration programs, often in cooperation with private industry, to improve the international and domestic transportation systems for agricultural and food products. The Office administers the Agreement on the International Carriage of Perishable Foodstuffs which requires the establishment of a program of inspection, testing and certification of refrigerated equipment to meet health and safety requirements of some Nations for the transport of certain foodstuffs within Europe.

The functions of OT are carried out by a technical and administrative staff located in Washington, D.C. As of September 30, 1988, there were 37 full-time employees and one part-time employee.

OFFICE OF TRANSPORTATION

Available Funds and Staff-Years1988 Actual and Estimated, 1989 and 1990

Item	1988		1989		1990	
	Actual	Staff-Years	Estimated	Staff-Years	Estimated	Staff-Years
Office of Transportation.....	\$2,397,000	38	\$2,397,000	35	\$1,395,000	20
Obligations under other						
USDA appropriations:						
Foreign Agricultural Service						
for services on the Mexican						
sales agreement.....	19,986	--	20,000	--	--	--
Office of International						
Cooperation and Development						
for providing a tropical						
products transport						
handbook.....	34,124	--	--	--	--	--
Total, Office of						
Transportation.....	2,451,110	38	2,417,000	35	\$1,395,000	20

Full-time Equivalent	1988	1989	1990
Staff-Years:	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Ceiling.....	38	35	20
Non-Ceiling.....	--	--	--
Total.....	<u>38</u>	<u>35</u>	<u>20</u>

OFFICE OF TRANSPORTATION

Permanent Positions by Grade and Staff-Year Summary

1988 and Estimated 1989 and 1990

Grade	1988		1989		1990	
	Headquarters/Total	::	Headquarters/Total	::	Headquarters/Total	::
ES-2	1	::	1	::	1	::
GS/GM-15		::		::		::
GS/GM-14	4	::	3	::	2	::
GS/GM-13	9	::	8	::	4	::
GS-12	9	::	9	::	5	::
GS-11	6	::	6	::	3	::
GS-9	1	::	1	::	1	::
GS-7	2	::	2	::	1	::
GS-6	4	::	4	::	2	::
GS-5	2	::	2	::	1	::
GS-5	1	::	1	::	--	::
Total Permanent Positions	39	::	37	::	20	::
Staff Years:		::		::		::
Ceiling	38	::	35	::	20	::
Non-Ceiling	--	::	--	::	--	::
TOTAL	38	::	35	::	20	::

OFFICE OF TRANSPORTATION

CLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation:			
11 Total personnel compensation.....	\$1,667,868	\$1,687,000	\$941,000
12 Personnel benefits.....	225,065	266,000	138,000
13 Benefits for former personnel.....	--	--	--
Total personnel compensation and benefits.....	<u>\$1,892,933</u>	<u>\$1,953,000</u>	<u>\$1,079,000</u>
Other Objects:			
21 Travel.....	78,209	65,000	39,000
22 Transportation of things.....	79	--	--
23.3 Communications, utilities and miscellaneous charges...	88,418	90,000	52,000
24 Printing and reproduction....	35,357	9,000	5,000
25 Other services.....	259,158	238,000	199,000
26 Supplies and materials.....	32,566	22,000	11,000
31 Equipment.....	1,545	20,000	10,000
Total other objects.....	<u>495,332</u>	<u>444,000</u>	<u>316,000</u>
Total direct obligations.....	<u>2,388,265</u>	<u>2,397,000</u>	<u>1,395,000</u>
<u>Position Data:</u>			
Average Salary, ES positions.....	\$70,500	\$71,800	\$71,800
Average Salary, GM/GS positions.....	\$40,289	\$38,353	\$40,406
Average Grade, GM/GS positions.....	11.82	11.35	11.95

OFFICE OF TRANSPORTATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Office of Transportation

For necessary expenses to carry on services related to agricultural transportation programs as authorized by law; including field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$20,000 for employment under 5 U.S.C. 3109, [\$2,397,000: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but, unless otherwise provided, the cost of altering any one building during the fiscal year shall not exceed 10 per centum of the current replacement value of the building] \$1,395,000.

The change in language is for the purpose of deleting authority to alter and repair agency-owned buildings. The agency is now located in space rented from GSA and the Agricultural Research Service. Any necessary building alterations and repair can be obtained under the authorities for these two agencies.

OFFICE OF TRANSPORTATION

Appropriation Act, 1989.....	\$2,397,000
Budget Estimate, 1990.....	1,395,000
Decrease in Appropriation.....	<u>-1,002,000</u>

SUMMARY OF DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Decrease</u>	<u>1990 Estimated</u>
Office of Transportation.....	\$2,397,000	-\$1,002,000	\$1,395,000

PROJECT STATEMENT
(On basis of appropriation)

PROJECT	1988 Actual Amount	1989 Estimated Staff- Years	1989 Estimated Staff- Years	Decreases	1990 Estimated Staff- Years		
Office of Transportation							
1. Research.....	\$1,075,076	18	\$1,079,000	16	-\$451,000	\$628,000	9
2. Technical Assistance.....	1,313,189	20	1,318,000	19	-551,000	767,000	11
Unobligated balance.....	8,735	--	--	--			
Total Appropriation..	2,397,000	38	2,397,000	35	-1,002,000	1,395,000	20

EXPLANATION OF PROGRAM

The programs of the Office of Transportation (OT) are carried out under the authority of the (1) Agricultural Marketing Act of 1946, (2) Agricultural Adjustment Act of 1938, (3) Agricultural Trade and Assistance Act of 1954, (4) Rural Development Act of 1972, and (5) International Carriage of Perishable Foodstuffs Act of 1982.

These activities are designed to assure that the transportation system will adequately serve the agricultural and rural areas of the United States and will provide the services necessary to assure the residents of these areas adequate facilities for the movement of agricultural commodities and people. The main areas of responsibility are providing technical assistance to shippers and carriers, technological research, development, and demonstrations in agricultural transport equipment, and participation in transportation regulatory actions before various Federal agencies. The Department is involved in the implementation of the International Carriage of Perishable Foodstuffs Act of 1982. In addition, OT provides economic analyses to enable the Department of Agriculture to develop policy recommendations for addressing current or anticipated problems in domestic and international agricultural transportation.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A net decrease of \$1,002,000 for Office of Transportation programs (\$2,397,000 available in 1989).

Need for Change. The FY 1990 budget proposes to lower priority activities of the Office of Transportation (OT). OT would continue to conduct USDA mandatory activities. These include USDA representation before Federal and State regulatory bodies with respect to rates, charges, tariffs, practices and services; and the administration of the Agreement on the International Carriage of Perishable Foodstuffs.

Nature of Change. Lower priority research activities on food distribution and transportation systems for agricultural commodities, perishable foods, and livestock would be discontinued. Economic studies and policy analyses of transportation systems as they apply to domestic and export shipping of agricultural products and farm supplies would also be terminated. A reduced level of technical assistance on agricultural and rural transportation to producers, shippers, rural communities and State government agencies and universities would be provided. Some of these activities could be provided by State governments and large producer groups.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS1988 AND ESTIMATED 1989 AND 1990

	<u>FY 1988</u>		<u>FY 1989</u>		<u>FY 1990</u>	
	<u>Amount</u>	<u>Staff-Years</u>	<u>Amount</u>	<u>Staff-Years</u>	<u>Amount</u>	<u>Staff-Years</u>
District of Columbia.....	\$2,388,265	38	\$2,397,000	35	\$1,395,000	20

FEDERAL GRAIN INSPECTION SERVICE

Purpose Statement

The Federal Grain Inspection Service (FGIS) was established on November 20, 1976, pursuant to the U.S. Grain Standards Act (USGSA), as amended (Public Law 94-582). Subsequently, the USGSA has been amended several times. In 1977, it was amended to provide appropriated funding for field supervision. The Omnibus Budget Reconciliation Act of 1981 amended the USGSA to require user fee funding to support supervision and administration of the inspection and weighing programs previously covered by appropriations. Authority to collect user fees for supervision and administration activities and authority to invest retained earnings in interest bearing accounts has been extended through September 1993. The 1981 amendments also established an FGIS Advisory Committee to provide advice to the Administrator of FGIS on the implementation of the USGSA. New program planning efforts are being developed to carry out the provisions of the Grain Quality Improvement Act of 1986. This legislation provides a framework for establishing and monitoring improved standards in the quality of grain in the marketing chain. Inspection and weighing programs are also carried out under the authority of the Agricultural Marketing Act of 1946 (AMA), as amended. Programs under the AMA include the inspection and grading of rice, dry beans, lentils, dry peas, processed grain products, hops, and related commodities.

The mission of FGIS is to provide for the establishment of official United States standards for grain and other commodities, to promote the uniform application thereof by official inspection personnel, to provide for an official inspection system for grain, and to regulate the weighing and the certification of the weight of grain shipped in interstate or foreign commerce, as authorized by the USGSA; and, to carry out the delegated responsibilities under the AMA. Through these permissive and mandatory programs, FGIS assists in advancing the orderly and efficient marketing and effective distribution of U.S. grain and other assigned commodities from the Nation's farms to domestic and foreign buyers. The establishment of grain standards as a common language of commerce facilitates trading among buyers and sellers to accurately describe the quality of the grain. FGIS, acting as an impartial third party, assures that the standards are applied and the weights are recorded in a fair and accurate manner, thereby facilitating domestic and foreign grain trading.

The amended U.S. Grain Standards Act requires: (1) mandatory inspection and weighing services at export ports by FGIS or delegated State agency personnel; and (2) permissive inspection and weighing services at domestic locations by designated State and private agency personnel. Currently, there are 8 delegated States among the 79 designated State and private agencies. The USGSA also requires FGIS to supervise all official inspection and weighing activities. Further, on a request basis, FGIS personnel perform inspection of rice and related commodities under the AMA and provide nation-wide appeal inspection services.

The FGIS headquarters is located in Washington, D.C., with field activities located in 28 field offices, 2 Federal/State offices, and 7 suboffices in 24 States and Canada. As of September 30, 1988, FGIS employment totaled 709 full-time permanent employees and 152 part-time temporary and intermittent employees. Of the total, 175 full-time employees and 11 part-time and intermittent employees were located at headquarters while the remaining 534 full-time employees and 141 part-time and intermittent employees were assigned to field locations. The costs of nearly all field services and most headquarters activities are financed from fees charged for services performed. User fee activities accounted for 82 percent of total agency spending in FY 1988. Standardization and compliance activities, international monitoring, and the FGIS Advisory Committee are financed from appropriations.

FEDERAL GRAIN INSPECTION SERVICE

Available Funds and Staff-Years1988 Actual and Estimated, 1989 and 1990

Item	1988		1989		1990	
	Actual		Estimated		Estimated	
	: Staff-:		: Staff-:		: Staff-:	
	Amount	Years	Amount	Years	Amount	Years
Salaries and Expenses	\$7,020,000:	131:	\$8,115,000:	141:	\$8,255,000:	141
Inspection and Weighing	:	:	:	:	:	:
Services	31,348,446:	657:	36,856,000:	659:	36,856,000:	659
Total, Federal Grain	:	:	:	:	:	:
Inspection Service	38,368,446:	788:	44,971,000:	800:	45,111,000:	800

Full-Time Equivalent Staff-Years:	1988 Actual	1989 Estimated	1990 Estimated
Ceiling	788	800	800
Non-ceiling	96	199	199
Total	884	999	999

FEDERAL GRAIN INSPECTION SERVICE

Permanent Positions by Grade and Staff-Year Summary

1988 and Estimated 1989 and 1990

Grade	1988			1989			1990		
	Headquarters:	Field :	Total :	Headquarters:	Field :	Total :	Headquarters:	Field :	Total :
Executive Level V	1	--	1	1	--	1	1	--	1
ES-5	1	--	1	1	--	1	1	--	1
ES-3	1	--	1	1	--	1	1	--	1
GS/GM-15	4	--	4	4	--	4	4	--	4
GS/GM-14	19	--	19	19	--	19	19	--	19
GS/GM-13	28	8	36	29	12	41	29	12	41
GS-12	42	22	64	42	29	71	42	29	71
GS-11	4	93	97	9	101	110	9	101	110
GS-10	1	11	12	1	11	12	1	11	12
GS-9	6	246	252	14	250	264	14	250	264
GS-8	2	1	3	5	--	5	5	--	5
GS-7	16	4	20	16	12	28	16	12	28
GS-6	34	--	34	26	8	34	26	8	34
GS-5	5	112	117	15	135	150	15	135	150
GS-4	8	35	43	12	40	52	12	40	52
GS-3	3	1	4	3	3	6	3	3	6
GS-2	--	--	--	--	--	--	--	--	--
GS-1	--	--	--	--	--	--	--	--	--
Ungraded Positions	--	1	1	--	1	1	--	1	1
Total Permanent Positions	175	534	709	198	602	800	198	602	800
Staff-Years:									
Ceiling	157	631	788	172	628	800	172	628	800
Non-Ceiling	--	96	96	--	199	199	--	199	199
TOTAL	157	727	884	172	827	999	172	827	999

FEDERAL GRAIN INSPECTION SERVICE

Salaries and Expenses - Appropriated FundsCLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation:			
Headquarters	\$2,754,440	\$3,813,000	\$3,889,000
Field	<u>1,292,013</u>	<u>1,694,000</u>	<u>1,728,000</u>
11 Total personnel compensation	4,046,453	5,507,000	5,617,000
12 Personnel benefits	677,977	735,000	735,000
13 Benefits for former personnel	<u>27,550</u>	<u>68,000</u>	<u>68,000</u>
Total Personnel Compensation Benefits	<u>4,751,980</u>	<u>6,310,000</u>	<u>6,420,000</u>
Other Objects:			
21 Travel	251,101	257,000	397,000
22 Transportation of things ..	38,838	20,000	20,000
23.4 Rental payments to others .	17,219	24,000	24,000
23.3 Communications, utilities, and misc. charges	215,514	332,000	332,000
24 Printing and reproduction .	28,799	87,000	87,000
25 Other services	1,089,804	885,000	755,000
26 Supplies and materials	176,515	118,000	118,000
31 Equipment	<u>250,481</u>	<u>82,000</u>	<u>102,000</u>
Total other objects	<u>2,068,271</u>	<u>1,805,000</u>	<u>1,835,000</u>
Total direct obligations	<u>\$6,820,251</u>	<u>\$8,115,000</u>	<u>\$8,255,000</u>

Position Data:

Average Salary, ES positions	\$72,500	\$75,400	\$75,400
Average Salary, GM/GS positions	\$29,800	\$30,825	\$30,825
Average Grade, GM/GS positions	11.2	11.4	11.4

FEDERAL GRAIN INSPECTION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses:

For necessary expenses to carry out the provisions of the United States Grain Standards Act, as amended, and the standardization activities related to grain under the Agricultural Marketing Act of 1946, as amended, including field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$20,000 for employment under 5 U.S.C. 3109, [~~\$8,115,000~~] \$8,255,000: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but, unless otherwise provided, the cost of altering any one building during the fiscal year shall not exceed 10 per centum of the current replacement value of the building: Provided further, That none of the funds provided by this Act may be used to pay the salaries of any person or persons who require, or who authorize payments from fee-supported funds to any person or persons who require nonexport, non-terminal interior elevators to maintain records not involving official inspection or official weighing in the United States under Public Law 94-582 other than those necessary to fulfill the purposes of such Act.

FEDERAL GRAIN INSPECTION SERVICE

SALARIES AND EXPENSES

Appropriation Act, 1989	\$8,115,000
Budget Estimate, 1990	8,255,000
Increase in Appropriation	<u>+140,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Standardization and Compliance Activities	<u>\$8,115,000</u>	<u>+\$140,000</u>	<u>\$8,255,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	<u>1988 Actual</u>		<u>1989 Estimated</u>		Increase	<u>1990 Estimated</u>	
	Amount	Staff- Years	Amount	Staff- Years		Amount	Staff- Years
1. Standardi- zation and Compliance Activities..:	\$6,820,251:	131:	\$8,115,000:	141:	+\$140,000:	\$8,255,000:	141:
Total, obligations...:	6,820,251:	131:	8,115,000:	141:	+140,000:	8,255,000:	141:
Unobligated balance.....:	199,749:	--:	--:	--:	--:	--:	--:
Total, available: or estimate...:	7,020,000:	131:	8,115,000:	141:	+140,000:	8,255,000:	141:
Total, Appropriation..:	<u>7,020,000:</u>	<u>131:</u>	<u>8,115,000:</u>	<u>141:</u>			

EXPLANATION OF PROGRAM

The appropriation "Salaries and Expenses" of the Federal Grain Inspection Service funds the standardization and compliance activities. The activities carried out are as follows:

1. Standardization Activities

FGIS standardization activities aid in the orderly marketing of grains, oilseeds, rice, and related commodities through the development, promulgation, and application of new and revised standards. Activities include the establishment, review and revision of the standards to reflect the latest inspection techniques and marketing needs; development and evaluation of new instruments and methods to increase accuracy; operation of a nationwide quality control program to assure the integrity of the inspection certificate; and, maintaining an international monitoring program which interacts with foreign governments and trade teams to exchange information and respond to complaints concerning quality and quantity of grain shipments.

Standardization Activities
Projected Level of Activity

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
U.S. Standards in effect at end of year	20	18	19
New and revised standards issued during fiscal year	12	7	5
Standards reviews in progress	13	9	6
Standards reviews completed	13	7	5
Inspection techniques developed	4	11	11
Equipment evaluated	5	10	10

2. Compliance Activities

The compliance activities ensure the accurate and uniform application of the U.S. Grain Standards Act (USGSA) and the applicable provisions of the Agricultural Marketing Act of 1946 (AMA). Field activities are reviewed to ensure that all procedures are implemented in a manner consistent with agency policy. Compliance activities include the delegation and designation of official agencies, the investigation of violations of the USGSA and AMA including referral of criminal violations to the Office of Inspector General, licensing of official agency personnel, and registering persons/firms engaged in foreign commerce grain business.

Compliance Activities
Projected Level of Activity

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
Official Agency Actions:			
Agency delegations and designations			
in effect at end of fiscal year	79	79	79
Designations renewed	26	27	27
Designations cancelled	2	1	0
State delegations at export port			
locations in effect at end of fiscal year ...	8	8	8
Registration of Firms Exporting Grain:			
Registration certificates issued	92	92	93
On-site investigations	14	14	14

JUSTIFICATION OF INCREASE

- (1) An increase of \$140,000 in standardization and compliance activities (\$8,115,000 available in 1989) consisting of:

- (a) An increase of \$140,000 to refine quality control processes to ensure accurate and uniform inspection service as directed by the Grain Quality Improvement Act of 1986.

Need for Change. Current inspection methodology was established to meet inspection requirements under the USGSA. The Grain Quality Improvement Act of 1986 (GQIA) reemphasizes quality control processes, to ensure the accurate and uniform inspections required by the GQIA, new technology needs to be developed to allow for field tests on corn breakage susceptibility, single kernel moisture, and near infra-red spectroscopy.

Nature of Change. Refine quality control processes to ensure accurate and uniform inspection services. To provide these services instrument calibration, measurement techniques, and data collection is essential at the field level to insure consistent, reliable, and accurate results. Data gathered will be the foundation for new and/or revised standards

for grain quality, insect infestation levels, reintroduction of dust, etc. Implementation of new procedures, instructions, and standards will begin on schedule, while other areas will operate under funding constraints.

Obligations by State: The following is a distribution of obligations and staff-years for the Federal Grain Inspection Service appropriated funds.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1988 and Estimated 1989 and 1990

	FY 1988		FY 1989		FY 1990	
	Amount	Staff- Years	Amount	Staff- Years	Amount	Staff- Years
Alabama	\$99,914	3	\$119,000	3	\$121,000	3
Arkansas	5,314	--	6,000	--	6,000	--
California	33,837	--	40,000	--	41,000	--
District of Columbia .	2,950,335	51	3,505,000	56	3,576,000	56
Georgia	2,733	--	3,000	--	3,000	--
Idaho	43,474	1	52,000	1	53,000	1
Illinois	209,782	6	249,000	6	254,000	6
Indiana	105,607	3	126,000	3	128,000	3
Iowa	110,547	3	131,000	3	134,000	3
Kansas	223,255	5	265,000	6	269,000	6
Louisiana	24,434	1	27,000	1	30,000	1
Maryland	52,202	1	62,000	1	63,000	1
Michigan	43,077	1	51,000	1	52,000	1
Minnesota	172,016	5	204,000	5	208,000	5
Mississippi	116	--	1,000	--	1,000	--
Missouri	2,318,411	41	2,769,000	45	2,803,000	45
Nebraska	181,479	5	216,000	5	219,000	5
North Dakota	32,379	1	38,000	1	39,000	1
Ohio	39,480	1	47,000	1	48,000	1
Oregon	6,750	--	8,000	--	8,000	--
Pennsylvania	--	--	--	--	--	--
Tennessee	19,456	--	23,000	--	23,000	--
Texas	88,122	2	105,000	2	107,000	2
Virginia	1,008	--	1,000	--	1,000	--
Washington	56,523	1	67,000	1	68,000	1
Total, Available or Estimate	\$6,820,251	131	\$8,115,000	141	\$8,255,000	141

FEDERAL GRAIN INSPECTION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Inspection and Weighing Services:

Limitation of Inspection and Weighing Expenses

Not to exceed \$36,856,000 (from fees collected) shall be obligated during the current fiscal year for Inspection and Weighing Services.

INSPECTION AND WEIGHING SERVICES

Obligations, 1989	\$36,856,000
Budget Estimate, 1990	<u>36,856,000</u>
Change in Obligations	<u>---</u>

SUMMARY OF INCREASES AND DECREASES

	<u>1989 Estimated</u>	<u>Program Change</u>	<u>1990 Estimated</u>
Inspection and Weighing Activities	<u>\$36,856,000</u>	<u>---</u>	<u>\$36,856,000</u>

PROJECT STATEMENT

Project	1988 Actual Amount	Staff- Years	1989 Estimated Amount	Staff- Years	Increase or Decrease	1990 Estimated Amount	Staff Years
Insp. & Weigh. Activities....	\$31,094,104	657	\$36,856,000	659	---	\$36,856,000	659
Actual oblig. ..	31,094,104	657	36,856,000	659	---	36,856,000	659
Unrealized prior: years oblig. ..	+254,342	--	--	--	---	--	--
Total, oblig. ..	31,348,446	657	36,856,000	659	---	36,856,000	659
Unobligated balance avail. :							
start of period:	-10,376,297	--	-14,037,420	--	---	-14,037,420	--
Unobligated balance avail. :							
end of period..	14,037,420	--	14,037,420	--	---	14,037,420	--
Collections	35,009,569	657	36,856,000	659	---	36,856,000	659
Unrealized prior: year revenues..	-471,618	--	--	--	---	--	--
Actual Collections....	34,537,951	657	36,856,000	659	---	36,856,000	659

EXPLANATION OF PROGRAM

The Federal Grain Inspection Service (FGIS) provides an official grain inspection and weighing system under the U.S. Grain Standards Act (USGSA), as amended, and official inspection of rice and grain related products under the Agricultural Marketing Act of 1946 (AMA), as amended. The USGSA was amended in 1981 to require the collection of user fees to fund the costs associated with the operation, supervision and administration of Federal grain inspection and weighing activities.

Fees collected under the USGSA and the AMA pay the expenses of the following programs:

1. Inspection Activities

Fee supported inspection activities under the USGSA include direct services as well as the supervision and administration function associated with the program. Direct services by FGIS employees include mandatory official inspection of export grain at certain export points and, when requested, the inspection of U.S. grain shipped from the interior or Canada. FGIS also provides an appeal service for original grain inspection. The FGIS supervision program provides oversight of its employees as well as the monitoring of the inspection activities of 8 delegated States and 79

designated State and private agencies. In addition, FGIS provides inspection services for rice and grain related products which are covered by the AMA. FGIS personnel provide the technical and administrative support for the inspection program.

Projected Level of Activity

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
Export Grain Inspected and Weighed (million metric tons)			
By Federal personnel	91.5	91.5	91.5
By delegated States	24.3	24.3	24.3
Quantity of Grain Inspected (All Official Inspections) Million Metric Tons	305.8	310.5	310.5
Number of Inspections and Reinspections			
By Federal Personnel	222,516	220,000	220,000
By Delegated State/Official Agency Licensees	2,977,192	2,880,000	2,880,000
Number of Appeals	12,077	13,000	13,000
Number of Appeals Carried to the Board of Appeals and Review	2,176	2,100	2,100
Quantity of Rice Inspected (million metric tons)	4.1	4.1	4.1
Quantity of Rice Exports (million metric tons)	2.3	2.45	2.45

2. Weighing Activities

Fee supported weighing activities under the USGSA include the direct services as well as the supervision and administration functions associated with the program. FGIS provides mandatory weighing of export grain. Upon request, FGIS may provide weighing services in the interior and on export shipments to Mexico. FGIS also offers supervision of weighing services by request on inbound grain at export points, a nationwide scale testing program and a separate scale testing program designed for railroad track scales. In addition to supervising its own employees, FGIS monitors the weighing activities of employees of eight delegated States and certain designated State and private agencies performing weighing activities. FGIS personnel provide the technical and administrative support for the weighing program.

Projected Level of Activity

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
Export Grain Weighed (million metric tons)			
by Federal Personnel	89.1	89.1	89.1
by Delegated State Personnel	24.3	24.3	24.3
Number of Certified Scales in Service - Export Elevators	455	475	475
Number of Railroad Track Scales Tests (Includes American Association of Railroad Tests)	123	120	120

OIG Audits

37008-6-Hy 08-Jun-88 "FGIS-Financial Management" (Draft)
 37008-4-Hy 10-Aug-88 "FGIS Wheat Protein Determination Program" (Draft)
 37008-2-Hy 24-Aug-88 "FGIS Grain Inspection Processes and Procedures" (Final)
 37008-6-Hy 29-Aug-88 "FGIS-Financial Management" (Final)
 37008-4-Hy 03-Oct-88 "FGIS Wheat Protein Determination Program" (Final)

OIG Investigations

37008-3-Hy 05-Feb-88 "FGIS Wheat Protein Measurement Complaint" (Investigation)

GAO Reports

RCED-88-50 14-Dec-87 "Grain Inspection: Evaluation of USDA's Study on Wheat Protein Measurement"

Obligations by State: The following is a distribution of obligations and staff-years for the fee supported inspection and weighing services.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 and Estimated 1989 and 1990

	FY 1988		FY 1989		FY 1990	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Alabama	\$362,243	8	\$426,000	8	\$426,000	8
Arkansas	1,153,530	39	1,356,000	39	1,356,000	39
California	81,599	1	96,000	1	96,000	1
District of Columbia ..	7,338,001	136	8,626,000	138	8,626,000	138
Georgia	184,314	6	217,000	6	217,000	6
Idaho	194,713	4	229,000	4	229,000	4
Illinois	866,575	21	1,019,000	21	1,019,000	21
Indiana	214,854	5	253,000	5	253,000	5
Iowa	243,131	5	286,000	5	286,000	5
Kansas	514,925	5	605,000	5	605,000	5
Louisiana	8,175,092	114	9,611,000	114	9,611,000	114
Maryland	1,924,674	52	2,263,000	52	2,263,000	52
Michigan	191,420	5	225,000	5	225,000	5
Minnesota	475,387	10	559,000	10	559,000	10
Mississippi	324,718	11	382,000	11	382,000	11
Missouri	416,603	7	490,000	7	490,000	7
Nebraska	286,974	5	337,000	5	337,000	5
North Dakota	288,687	6	339,000	6	339,000	6
Ohio	596,573	17	701,000	17	701,000	17
Oregon	2,874,548	93	3,380,000	93	3,380,000	93
Pennsylvania	50,817	--	60,000	--	60,000	--
Tennessee	77,364	2	91,000	2	91,000	2
Texas	4,150,449	100	4,880,000	100	4,880,000	100
Virginia	3,124	--	4,000	--	4,000	--
Washington	108,193	2	127,000	2	127,000	2
Total States	31,098,508	654	36,562,000	656	36,562,000	656
Canada	249,938	3	294,000	3	294,000	3
Total, Available or						
Estimate	\$31,348,446	657	\$36,856,000	659	\$36,856,000	659

AGRICULTURAL COOPERATIVE SERVICE

Purpose Statement

The Agricultural Cooperative Service (ACS) is assigned functions under both the Cooperative Marketing Act of 1926 and the Agricultural Marketing Act of 1946. Under the Cooperative Marketing Act, ACS is authorized to: (1) acquire, analyze, and disseminate economic, statistical, and historical information regarding the progress, organization, and business methods of cooperative associations in the United States and foreign countries; (2) conduct studies of the economic, legal, financial, social, and other phases of cooperation, including analyses of cooperative associations; (3) make surveys and analyses of the accounts and business practices of representative cooperative associations; (4) confer and advise with committees or groups of producers who want to form a cooperative association and to make an economic analysis of the facts relevant to setting up such an association; (5) promote the knowledge of cooperative principles and practices and to cooperate in promoting such knowledge to others; and (6) make special studies to acquire and disseminate such information.

Under the Agricultural Marketing Act, ACS is authorized to carry out responsibilities which relate to the marketing aspects of cooperatives, including economic research and analysis and the application of economic research findings. In addition, ACS is authorized to work with institutions and international organizations on subjects relating to cooperatives.

ACS serves as the focal point of national activity involving agricultural cooperatives. The purpose of ACS is to help farmers help themselves by providing the assistance necessary to support and improve existing cooperatives and to help farmers organize new cooperatives.

The studies conducted by ACS, alone or in conjunction with other Federal or State institutions, are intended to provide farmers with information on economic, financial, organizational, legal, and social aspects of cooperative activity. In today's rapidly changing economic environment, ACS provides technical advice to assist farmer cooperatives in the development and operation of viable profitable organizations serving the nation's family farmers.

ACS is headquartered in Washington, D.C., with 3 field offices which are in Hilo, Hawaii; London, Kentucky; and Greenville, North Carolina. As of September 30, 1988, ACS employed 63 permanent full-time and 3 part-time personnel, 63 of whom were located in headquarters and 3 in the field offices.

AGRICULTURAL COOPERATIVE SERVICE

Available Funds and Staff-Years1988 Actual and Estimated, 1989 and 1990

ITEM	1988		1989		1990	
	Actual		Estimated		Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Agricultural Cooperative Service.....	\$4,611,000:	61:	\$4,655,000:	63:	\$2,303,000:	45

Full-time Equivalent Staff-Years:	1988 Actual	1989 Estimate	1990 Estimate
Ceiling.....	61	63	45
Non-Ceiling.....	--	--	--
Total.....	61	63	45

AGRICULTURAL COOPERATIVE SERVICE

Permanent Positions by Grade and Staff-Year Summary

1988 and Estimated 1989 and 1990

Grade	1988			1989			1990		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-5	1	--	1	1	--	1	1	--	1
GS/GM-15	5	--	5	5	--	5	3	--	3
GS/GM-14	13	--	13	13	--	13	8	--	8
GS/GM-13	15	2	17	15	2	17	14	--	14
GS-12	6	1	7	6	1	7	4	--	4
GS-11	4	--	4	4	--	4	2	--	2
GS-9	4	--	4	4	--	4	2	--	2
GS-7	7	--	7	7	--	7	5	--	5
GS-6	4	--	4	4	--	4	3	--	3
GS-5	2	--	2	2	--	2	2	--	2
Other Graded Positions.....	--	--	--	--	--	--	--	--	--
Ungraded Positions.....	1	--	1	1	--	1	1	--	1
Total Permanent Positions..	62	3	65	62	3	65	45	--	45
Staff Years:									
Ceiling.....	58	3	61	60	3	63	45	--	45
Non-Ceiling.....	--	--	--	--	--	--	--	--	--
TOTAL.....	58	3	61	60	3	63	45	--	45

AGRICULTURAL COOPERATIVE SERVICE

CLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation:			
Headquarters.....	\$2,555,776	\$2,713,000	\$1,566,000
Field.....	<u>109,290</u>	<u>113,000</u>	<u>--</u>
11 Total personnel compensation.....	2,665,066	2,826,000	1,566,000
12 Personnel benefits.....	384,060	435,000	216,000
13 Benefits for former personnel....	<u>3,643</u>	<u>--</u>	<u>--</u>
Total personnel compensation and benefits.....	3,052,769	3,261,000	1,782,000
Other Objects:			
21 Travel.....	152,700	155,000	78,000
22 Transportation of things.....	316	--	--
23.2 Rental payments to others.....	7,277	7,000	--
23.3 Communications, utilities, and miscellaneous charges.....	184,988	190,000	118,000
24 Printing and reproduction.....	111,984	65,000	10,000
25 Other services.....	874,318	868,000	300,000
26 Supplies and material.....	29,294	34,000	10,000
31 Equipment.....	<u>149,115</u>	<u>75,000</u>	<u>5,000</u>
Total other objects.....	<u>1,509,992</u>	<u>1,394,000</u>	<u>521,000</u>
Total direct obligations.....	<u>4,562,761</u>	<u>4,655,000</u>	<u>2,303,000</u>
 <u>Position Data:</u>			
Average Salary, ES positions.....	\$75,500	\$78,600	\$78,600
Average Salary, GM/GS positions.....	\$38,703	\$38,703	\$37,520
Average Grade, GM/GS positions.....	11.51	11.51	11.40

AGRICULTURAL COOPERATIVE SERVICE

The estimates include appropriation language for this item as follows: (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses

For necessary expenses to carry out the Cooperative Marketing Act of July 2, 1926 (7 U.S.C. 451-457), and for activities relating to the marketing aspects of cooperatives, including economic research and analysis and the application of economic research findings, as authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627), and for activities with institutions or organizations throughout the world concerning the development and operation of agricultural cooperatives (7 U.S.C. 3291), [\$4,655,000; of which \$99,000 shall be available for a field office in Hawaii:] \$2,303,000: Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$15,000 shall be available for employment under 5 U.S.C. 3109.

The change in language is for deletion of a provision setting aside \$99,000 for maintaining a field office in Hawaii. Under the FY 1990 budget, this office will be closed at the beginning of FY 1990.

SALARIES AND EXPENSES

Appropriation Act, 1989.....	\$4,655,000
Budget Estimate, 1990.....	<u>2,303,000</u>
Decrease in Appropriation.....	<u>-2,352,000</u>

SUMMARY OF DECREASES
 (On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Research on agricultural cooperatives.....	\$2,744,000	-\$1,386,000	\$1,358,000
Technical assistance to agricultural cooperatives....	<u>1,911,000</u>	<u>-966,000</u>	<u>945,000</u>
Total Available.....	<u>4,655,000</u>	<u>-2,352,000</u>	<u>2,303,000</u>

PROJECT STATEMENT
 (On basis of appropriation)

PROJECT	<u>1988 Actual</u>		<u>1989 Estimated</u>			<u>1990 Estimated</u>	
	Amount	Staff- Years	Amount	Staff- Years		Amount	Staff- Years
1. Research on agricultural cooperatives....	\$2,689,629	36	\$2,744,000	38	-\$1,386,000	\$1,358,000	27
2. Technical assistance to agricultural cooperatives....	1,873,132	25	1,911,000	25	-966,000	945,000	18
Unobligated balance.....	48,239	--	--	--	--	--	--
Total					(1)		
Appropriation....	4,611,000	61	4,655,000	63	-2,352,000	2,303,000	45

EXPLANATION OF PROGRAM

The Agricultural Cooperative Service (ACS) serves as the national focal point and storehouse for information about farmer cooperatives. The major missions of the agency include research on cooperative problems and issues, providing technical assistance and advice to existing and newly emerging cooperative associations, collection and dissemination of cooperative statistics, and preparation and distribution of educational materials on cooperatives.

The Agency's research program includes studies of economic, financial, organizational, managerial, legal, social and policy related issues that affect cooperatives. Studies may be specific to a single commodity or group of commodities or may focus on specific functions which cut across commodity and service lines for cooperatives that market farm products, purchase production supplies, or perform related services.

Technical assistance is provided in response to requests, usually from cooperative boards of directors or organizational steering committees who may represent from a small group up to thousands of farmers. Types of technical assistance provided by ACS include feasibility analysis, merger and other organizational studies, strategic assessment and planning, and review of operations and performance of the range of cooperative activities. Feasibility analysis and organizational and educational assistance are provided for newly emerging cooperatives. ACS provides technical assistance for farmers and their cooperatives in most commodity and functional areas of cooperative operations.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$2,352,000 for Agricultural Cooperative Service programs (\$4,655,000 available in 1989).

Need for Change. The FY 1990 budget proposes to curtail lower priority activities of the Agricultural Cooperative Service. Activities in FY 1990 will be limited to research and technical assistance funding for national projects having high benefit and applicability to agricultural cooperatives as a whole.

Nature of Change. The agency will discontinue lower priority research agreements at colleges and universities and will reduce technical assistance to new and existing cooperatives. ACS will also close its three field offices in Hilo, Hawaii; London, Kentucky; and Greenville, North Carolina; and provide service to these areas from its Washington, DC, office.

AGRICULTURAL COOPERATIVE SERVICE

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS1988 AND ESTIMATED 1989 AND 1990

	<u>FY 1988</u>		<u>FY 1989</u>		<u>FY 1990</u>	
	<u>Amount</u>	<u>Staff-Years</u>	<u>Amount</u>	<u>Staff-Years</u>	<u>Amount</u>	<u>Staff-Years</u>
District of Columbia.	\$4,386,972	58	\$4,420,000	60	\$2,303,000	45
Hawaii.....	46,982	1	99,000	1	--	--
Kentucky.....	60,606	1	64,000	1	--	--
North Carolina.....	68,201	1	72,000	1	--	--
Total.....	<u>\$4,562,761</u>	<u>61</u>	<u>\$4,655,000</u>	<u>63</u>	<u>\$2,303,000</u>	<u>45</u>

PACKERS AND STOCKYARDS ADMINISTRATION

Purpose Statement

The Packers and Stockyards Administration was reestablished by Secretary's Memorandum No. 1000-1, of June 17, 1981. The Agency administers the Packers and Stockyards Act of 1921, as amended, and carries out the Secretary's responsibilities under Section 1324 of the Food Security Act of 1985 covering "central filing systems" established by States for pre-notification of security interests against farm products. The Agency also has responsibility with respect to persons and firms subject to the Packers and Stockyards Act for the Truth-in-Lending Act, the Fair Credit Reporting Act and the Freedom of Information Act.

The principal purpose of the Packers and Stockyards Administration programs is to assure the integrity of the livestock, meat, and poultry markets and the market place. This includes fostering fair and open competition and guarding against deceptive and fraudulent practices which affect the movement and price of meat animals and the products therefrom. The work of the Agency is also aimed at protecting consumers and members of the livestock, meat and poultry industries against unfair business practices which can unduly affect meat and poultry distribution and prices.

The Food Security Act of 1985 permits the States to establish "central filing systems" for the purpose of pre-notifying buyers, commission merchants, and selling agents of security interests against "farm products". It is the responsibility of the Packers and Stockyards Administration to issue regulations and to certify those systems which meet the criteria set forth in the statute.

Headquarters of the Agency is located in Washington, D.C., with 12 regional offices located in Atlanta, Georgia; Bedford, Virginia; Denver, Colorado; Fort Worth, Texas; Indianapolis, Indiana; Kansas City, Missouri; Lancaster, Pennsylvania; Lawndale, California; Memphis, Tennessee; Omaha, Nebraska; Portland, Oregon; and South St. Paul, Minnesota. As of September 30, 1988, there were 185 full-time permanent and three other employees. Of the total, 46 full-time employees and one other employee worked in the Headquarters office; 139 full-time employees and two other employees worked in the regional offices.

PACKERS AND STOCKYARDS ADMINISTRATION

Available Funds and Staff-Years1988 Actual and Estimated, 1989 and 1990

Item	:	1988	:	1989	:	1990	
	:	Actual	:	Estimated	:	Estimated	
	:	:Staff-	:	:Staff-	:	:Staff-	
	:	Amount	:Years	Amount	:Years	Amount	:Years
Packers and Stockyards	:	:	:	:	:	:	:
Administration	:	\$9,402,000:	194	\$9,562,000:	187	\$9,562,000:	187
	:	:	:	:	:	:	:

Full-time Equivalent Staff-Years:	<u>1988</u> <u>Actual</u>	<u>1989</u> <u>Estimated</u>	<u>1990</u> <u>Estimated</u>
Ceiling	194	187	187
Non-Ceiling	--	--	--
Total	194	187	187

PACKERS AND STOCKYARDS ADMINISTRATION

Permanent Positions by Grade and Staff-Year Summary

1988 Actual and Estimated 1989 and 1990

Grade	1988			1989			1990		
	Headquarters:	Field	Total	Headquarters:	Field	Total	Headquarters:	Field	Total
ES-5	1	--	1	1	--	1	1	--	1
ES-2	1	--	1	1	--	1	1	--	1
GS/GM-15	4	--	4	4	--	4	4	--	4
GS/GM-14	8	--	8	8	--	8	8	--	8
GS/GM-13	12	12	24	12	12	24	12	12	24
GS-12	4	36	40	4	42	46	4	42	46
GS-11	2	42	44	2	43	45	2	43	45
GS-9	2	18	20	2	17	19	2	17	19
GS-8	1	--	1	1	--	1	1	--	1
GS-7	2	11	13	4	11	15	4	11	15
GS-6	7	7	14	6	6	12	6	6	12
GS-5	--	9	9	1	9	10	1	9	10
GS-4	--	3	3	1	3	4	1	3	4
GS-3	1	--	1	3	--	3	3	--	3
GS-2	1	1	2	--	--	--	--	--	--
Total Permanent Positions	46	139	185	50	143	193	50	143	193
Staff Years:									
Ceiling	46	148	194	46	141	187	46	141	187
Non-Ceiling	--	--	--	--	--	--	--	--	--
TOTAL	46	148	194	46	141	187	46	141	187

PACKERS AND STOCKYARDS ADMINISTRATION

CLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation:			
Headquarters	\$1,895,889	\$1,948,000	\$1,967,000
Field	<u>4,398,115</u>	<u>4,682,000</u>	<u>4,728,000</u>
11 Total personnel compensation	6,294,004	6,630,000	6,695,000
12 Personnel benefits..	1,071,741	915,000	892,000
13 Benefits for former personnel	<u>204</u>	<u>1,000</u>	<u>1,000</u>
Total Personnel Comp. and Benefits	<u>7,365,949</u>	<u>7,546,000</u>	<u>7,588,000</u>
Other Objects:			
21 Travel	578,971	580,000	580,000
22 Transportation of things	43,568	37,000	27,000
23.2 Rental Payments to others	133,900	139,000	144,000
23.3 Communications, utilities, and misc. charges	349,757	375,000	360,000
24 Printing and reproduction	21,189	26,000	26,000
25 Other services	702,857	744,000	722,000
26 Supplies and materials	62,957	58,000	58,000
31 Equipment	93,902	57,000	57,000
43 Interest & dividends..	128	--	--
44 Refunds.....	<u>-166</u>	<u>--</u>	<u>--</u>
Total other objects ...	<u>1,987,063</u>	<u>2,016,000</u>	<u>1,974,000</u>
Total direct obligations.	<u>9,353,012</u>	<u>9,562,000</u>	<u>9,562,000</u>
<u>Position Data:</u>			
Average Salary, ES positions	\$73,750	\$74,900	\$75,250
Average Salary, GM/GS positions	\$32,561	\$33,619	\$33,954
Average Grade, GM/GS positions	10.25	10.27	10.27

PACKERS AND STOCKYARDS ADMINISTRATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Packers and Stockyards Administration:

For necessary expenses for administration of the Packers and Stockyards Act, as authorized by law, and for certifying procedures used to protect purchasers of farm products, including field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$5,000 for employment under 5 U.S.C. 3109, \$9,562,000. (7 U.S.C. 181-229)

SALARIES AND EXPENSES

Appropriation Act, 1989	\$9,562,000
Budget Estimate, 1990	9,562,000
Change in Appropriation	<u> -- </u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Change</u>	<u>1990 Estimated</u>
Administration of the Packers and Stockyards Act	\$9,434,000	--	\$9,434,000
Certification of "Clear Title"	128,000	--	128,000
Total Available	<u>9,562,000</u>	<u> -- </u>	<u>9,562,000</u>

PROJECT STATEMENT
(On basis of appropriation)

	<u>1988 Actual</u>		<u>1989 Estimated</u>		<u>1990 Estimated</u>	
	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>
1. Administration: of the Packers and Stockyards Act.....	\$9,225,484	191	\$9,434,000	184	\$9,434,000	184
2. Certification of Clear Title.....	127,528	3	128,000	3	128,000	3
Unobligated balance	48,988	--	--	--	--	--
Total available or estimate....	9,402,000	194	9,562,000	187	9,562,000	187

EXPLANATION OF PROGRAM

The Packers and Stockyards Administration (P&SA) administers the Packers and Stockyards Act (7 U.S.C. 181-229). The Agency also carries out the Secretary's responsibilities under Section 1324 of the Food Security Act of 1985 covering "central filing systems" established by States for pre-notification of security interests against farm products. In addition, the Agency administers the Truth-in-Lending Act (15 U.S.C. 1601 *et seq*); the Fair Credit Reporting Act (15 U.S.C. 1681 *et seq*); and the Freedom of Information Act (5 U.S.C. 552) as these statutes apply to persons and firms subject to the P&S Act. Agency programs are designed to assure the integrity of the livestock, meat and poultry markets and the marketplace. Other functions of the Agency include assuring prompt payment to producers for livestock and poultry, and assuring nondiscriminatory marketing charges and accurate weights. The Agency's programs also include protecting consumers from unfair business practices in the marketing of meat.

Coverage of Program:

	1988 <u>Actual</u>	1989 <u>Estimated</u>	1990 <u>Estimated</u>
Investigations	2,184	2,200	2,200
Marketing Agencies/Dealers Registered	9,670	9,700	9,700
Stockyards Posted	1,770	1,775	1,775
Slaughtering and Processing Packers Subject to the Act	6,500*	6,500	6,500
Distributors, Brokers, and Dealers Subject to the Act	6,900*	6,900	6,900
Poultry Operations Subject to the Act	275	275	275

*Estimated

The value of livestock, meat, and poultry subject to the Act is in excess of \$63 billion each year.

The principal activities carried out in administering the Act are:

- Investigating trade practices of packers, market agencies, and dealers to detect fraudulent transactions and to guard against unfair trade practices detrimental to producers and the industry.
- Investigating packer meat merchandising and chain store buying practices in order to maintain prices established by fair and competitive marketing practices.
- Investigating the financial condition and payment practices of market agencies, dealers, and packers subject to the Act to determine if they are financially sound and capable of meeting their obligations.
- Maintaining the integrity of the statutory trust for cash sellers of livestock and poultry.
- Surveillance of marketing at public markets and geographical area markets to foster and maintain fair and effective competition and avoid conflicts of interest.
- Obtaining adequate surety bonds from auction operators, commission firms, dealers, and packers (purchasing more than \$500,000 worth of livestock annually) to ensure payment for livestock purchased.
- Investigating poultry marketing practices to identify and correct those which are injurious to producers and operators in the industry.

PACKERS AND STOCKYARDS ADMINISTRATION
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 and Estimated 1989 and 1990

	<u>1988</u>		<u>1989</u>		<u>1990</u>	
	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>
D.C. Headquarters	\$3,450,740	46	\$3,436,000	46	\$3,402,000	46
REGIONAL OFFICES:						
California	382,022	9	450,000	10	453,000	10
Colorado	473,248	12	450,000	10	451,000	10
Georgia	483,158	12	501,000	10	506,000	10
Indiana	500,018	13	570,000	15	574,000	15
Minnesota	535,939	15	591,000	15	594,000	15
Missouri	481,207	12	508,000	11	511,000	11
Nebraska	638,509	15	666,000	15	670,000	15
Oregon	436,540	12	391,000	10	395,000	10
Pennsylvania	436,082	11	537,000	12	537,000	12
Tennessee	492,573	12	520,000	11	524,000	11
Texas	508,375	13	493,000	12	495,000	12
Virginia	534,601	12	449,000	10	450,000	10
Total, Available or Estimate	<u>9,353,012</u>	<u>194</u>	<u>9,562,000</u>	<u>187</u>	<u>9,562,000</u>	<u>187</u>

FOOD SAFETY AND INSPECTION SERVICE

Purpose Statement

The Food Safety and Inspection Service was established on June 17, 1981, by Secretary's Memorandum No. 1000-1 issued pursuant to Reorganization Plan No. 2 of 1953 (7 U.S.C. 2201).

The major objective of the Agency is to ensure that the Nation's commercial supply of meat and poultry products is safe, wholesome, and correctly labeled and packaged, as required by the Federal Meat Inspection Act and the Poultry Products Inspection Act.

The Meat and Poultry Inspection Program of the Food Safety and Inspection Service provides inplant inspection of all domestic establishments preparing meat or poultry products for sale or distribution in commerce; reviews foreign inspection systems and establishments that prepare meat or poultry products for export to the United States; and provides technical and financial assistance to States which maintain meat and poultry inspection programs equal to that of the Federal inspection program.

During 1988, the Agency maintained central offices in the Washington metropolitan area, five regional offices, 27 area offices, and a nationwide network of inspectors in approximately 7,300 establishments (including official import inspection facilities) in 50 States, Puerto Rico, American Samoa, Guam, and the Virgin Islands. Much of the work is conducted in cooperation with Federal, State and municipal agencies, as well as private industry. As of September 30, 1988, the Agency employment totaled 8,980 permanent full-time employees and 808 other employees. Of these, 677 permanent full-time employees and 95 other employees were located in the central offices, and 404 permanent full-time employees and 10 other employees were in area and regional offices. The balance of 7,899 permanent full-time employees and 703 other employees were in field locations.

FOOD SAFETY AND INSPECTION SERVICE

Available Funds and Staff-Years1988 Actual and Estimated, 1989 and 1990

Item	1988		1989		1990	
	Actual		Estimated		Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
<u>Food Safety and Inspection Service:</u>						
Salaries and Expenses.....	\$392,015,000	9,176	\$404,960,000	9,153	\$422,799,000	9,178
<u>Obligations under other USDA</u>						
<u>Appropriations:</u>						
APHIS for blood samples (MPI)...	1,105,303	—	1,200,000	—	1,200,000	—
Total, Agriculture Appropriations.....	393,120,303	9,176	406,160,000	9,153	423,999,000	9,178
<u>Non-Federal Funds:</u>						
<u>Reimbursements:</u>						
Meat and Poultry Inspection.....	46,681,507	227	47,800,000	220	47,800,000	220
<u>Trust Funds:</u>						
Meat and Poultry Inspection.....	1,072,178	23	1,050,000	27	1,150,000	27
Total Non-Federal Funds.....	47,753,685	250	48,850,000	247	48,950,000	247
Total, Food Safety and Inspection Service.....	440,873,988	9,426	455,010,000	9,400	472,949,000	9,425

	1988	1989	1990
Full-Time Equivalent Staff Years:	Actual	Estimated	Estimated
Ceiling.....	9,426	9,400	9,425
Non-ceiling.....	1,004	980	980
Total.....	10,430	10,380	10,405

FOOD SAFETY AND INSPECTION SERVICE
Permanent Positions by Grade and Staff-Year Summary
1988 and Estimated 1989 and 1990

	1988			1989			1990		
	Headquarters:	Field	Total	Headquarters:	Field	Total	Headquarters:	Field	Total
ES-6	1	0	1	1	0	1	1	0	1
ES-5	4	0	4	4	0	4	4	0	4
ES-4	9	2	11	9	2	11	9	2	11
ES-3	1	1	2	1	1	2	1	1	2
ES-2	2	1	3	2	1	3	2	1	3
ES-1	1	1	2	1	1	2	1	1	2
GS/GM-15	33	8	41	33	8	41	33	9	42
GS/GM-14	88	43	131	89	43	132	89	44	133
GS/GM-13	186	262	448	186	280	466	186	302	488
GS-12	70	833	903	70	833	903	70	849	919
GS-11	42	397	439	42	426	468	42	440	482
GS-10	0	155	155	0	126	126	0	158	158
GS-9	53	2,235	2,288	53	2,742	2,795	53	2,638	2,691
GS-8	8	1,015	1,023	8	529	537	8	529	537
GS-7	54	2,749	2,803	54	2,750	2,804	54	2,813	2,867
GS-6	41	53	94	41	57	98	41	55	96
GS-5	54	387	441	54	388	442	54	395	449
GS-4	44	102	146	45	114	159	46	110	156
GS-3	15	13	28	15	13	28	18	13	31
GS-2	2	3	5	2	3	5	2	3	5
GS-1	0	0	0	0	0	0	0	0	0
Ungraded Positions:	6	17	23	6	17	23	6	17	23
Total Permanent Positions.....	714	8,277	8,991	716	8,334	9,050	720	8,380	9,100
Staff Years:									
Ceiling.....	764	8,662	9,426	763	8,637	9,400	763	8,662	9,425
Non-Ceiling.....	3	1,001	1,004	3	977	980	3	977	980
Total.....	767	9,663	10,430	766	9,614	10,380	766	9,639	10,405

FOOD SAFETY AND INSPECTION SERVICE

CLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation:			
Headquarters.....	\$26,931,859	\$28,072,000	\$28,649,000
Field.....	<u>227,957,329</u>	<u>237,611,000</u>	<u>242,448,000</u>
11 Total Personnel compensation.....	254,889,188	265,683,000	271,097,000
12 Personnel benefits.....	49,806,158	52,856,000	56,255,000
13 Benefits for former personnel.....	<u>959,052</u>	<u>959,000</u>	<u>959,000</u>
Total Personnel Compensation and Benefits.....	305,654,398	319,498,000	328,311,000
Other Objects:			
21 Travel.....	20,186,858	20,043,000	22,968,000
22 Transportation of things.....	1,603,931	1,686,000	1,826,000
23 Communications, utilities and miscellaneous charges.....	7,622,219	7,834,000	8,171,000
24 Printing and reproduction.....	1,261,344	1,297,000	1,347,000
25 Other services.....	14,728,214	12,982,000	16,350,000
26 Supplies and materials.....	2,469,879	2,563,000	2,695,000
31 Equipment.....	2,850,348	2,121,000	2,755,000
41 Grants, subsidies and contributions.....	35,424,988	36,877,000	38,315,000
42 Insurance claims and indemnities..	53,169	55,000	57,000
43 Interest and dividends.....	<u>3,478</u>	<u>4,000</u>	<u>4,000</u>
Total Other Objects.....	<u>86,204,428</u>	<u>85,462,000</u>	<u>94,488,000</u>
Total Direct Obligations.....	<u>391,858,826</u>	<u>404,960,000</u>	<u>422,799,000</u>
<u>Position Data:</u>			
Average Salary, ES positions.....	\$72,590	\$73,300	\$73,300
Average Salary, GM/GS positions.....	\$27,873	\$28,700	\$28,700
Average Grade, GM/GS positions.....	8.60	8.60	8.60

FOOD SAFETY AND INSPECTION SERVICE

The Estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses:

For necessary expenses to carry on services authorized by the Federal Meat Inspection Act, as amended, and the Poultry Products Inspection Act, as amended, [~~\$404,954,000~~] \$422,799,000: Provided, That this appropriation shall be available for field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$75,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but the cost of altering any one building during the fiscal year shall not exceed 10 per centum of the current replacement value of the building.

SALARIES AND EXPENSES

Appropriation Act, 1989.....	\$404,954,000
Budget Estimate, 1990.....	422,799,000
Increase in Appropriation.....	+17,845,000
	=====

Adjustments in 1989:

Appropriation Act, 1989.....	\$404,954,000	
Activities previously financed by Department of State a/.....	+ 6,000	
Adjusted base for 1989.....		404,960,000
Budget Estimate, 1990.....		422,799,000
Increase over adjusted 1989.....		+17,839,000
		=====

a/ For 1990, amounts for services provided to other agencies under the Department of State's foreign affairs administrative support system (FAAS) will be financed on a reimbursable basis by the agencies receiving these services. The Department of State will continue to provide these services.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Slaughter Inspection....	\$231,565,000	+\$10,618,000	\$242,183,000
Processing Inspection...	96,843,000	+1,982,000	98,825,000
Import-Export Inspection	10,519,000	+252,000	10,771,000
Laboratory Services.....	29,156,000	+3,549,000	32,705,000
Grants-to-States.....	36,877,000	+1,438,000	38,315,000
Total Available.....	404,960,000	+17,839,000	422,799,000
	=====	=====	=====

PROJECT STATEMENT
(On basis of adjusted appropriation)

<u>Project</u>	<u>1988 Actual</u>		<u>1989 Estimated</u>		<u>Increase: or Decrease</u>	<u>1990 Estimated</u>	
	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>		<u>Amount</u>	<u>Staff- Years</u>
<u>Meat and Poultry Inspection</u>							
(a) Slaughter Inspection.....	\$224,780,876	6,262	\$231,565,000	6,294	+\$10,618,000(1)	\$242,183,000	6,396
(b) Processing Inspection.....	97,632,421	2,327	96,843,000	2,267	+1,982,000(2)	98,825,000	2,168
(c) Import-Export Inspection:	10,195,210	204	10,519,000	212	+252,000(3)	10,771,000	212
(d) Laboratory Services.....	23,825,331	383	29,156,000	380	+3,549,000(4)	32,705,000	402
(e) Grants-to-States.....	35,424,988	—	36,877,000	—	+1,438,000(5)	38,315,000	—
Total, Meat and Poultry Inspection.....	391,858,826	9,176	404,960,000	9,153	+17,839,000	422,799,000	9,178
Unobligated balance lapsing....	156,174	—	—	—	—	—	—
Total available or estimate....	392,015,000	9,176	404,960,000	9,153	+17,839,000	422,799,000	9,178
Funding financed from Department of State.....	-6,000	—	-6,000	—			
Total Appropriation.....	392,009,000	9,176	404,954,000	9,153			

EXPLANATION OF PROGRAM

The major objective of the Food Safety and Inspection Service is to ensure that the Nation's commercial supply of meat and poultry products is safe, wholesome, and correctly labeled and packaged.

The Meat and Poultry Inspection program is responsible for uniformly applying inspection procedures and standards for sanitation, humane slaughter, facilities and equipment, and product labeling at all establishments under Federal inspection. It is also responsible for assessing the effectiveness of State inspection programs to assure that standards, at least equal to those under the Federal Meat Inspection Act and the Poultry Products Inspection Act, are applied to meat and poultry establishments under State jurisdiction. Further, the program is responsible for reviewing foreign inspection systems and plants that export meat and poultry products to the United States, and inspecting imported product at ports of entry.

The Laboratory Services program supports meat and poultry inspection through the scientific examination of meat and poultry products for disease, contamination, or other forms of adulteration.

INSPECTION DATA

	1988 <u>Actual</u>	1989 <u>Estimated</u>	1990 <u>Estimated</u>
Federally inspected establishments:			
Slaughter plants.....	376	370	370
Processing plants.....	4,861	4,800	4,800
Combination slaughter and processing plants.....	1,341	1,330	1,330
Talmdge-Aiken Plants.....	332	330	330
Import establishments.....	212	220	225
Federally inspected production (millions of pounds):			
Meat slaughter.....	36,885	37,400	37,707
Meat processing.....	71,943	74,800	77,300
Poultry slaughter.....	28,213	30,268	31,761
Poultry processing.....	78,500	90,200	101,000
Import/Export activity (millions of pounds):			
Meat and poultry imported.....	2,860	3,109	3,302
Meat and poultry exported.....	3,132	3,136	3,143
Imports refused entry.....	13	14	14
States and territories with cooperative agreements (end of year):			
Intrastate inspection.....	28	28	28
Talmdge-Aiken inspection.....	21	21	21
Number of slaughter and/or processing plants (excludes exempt plants).....	3,615	3,600	3,600
Pounds inspected slaughter and processing (millions).....	4,932	4,900	4,900
Compliance activities:			
Hazardous product detained (millions of pounds).....	11	11	11
Compliance reviews.....	56,238	56,000	56,000
Detention actions.....	1,019	1,000	1,000
Laboratory services (samples analyzed):			
Food chemistry.....	70,020	70,000	71,000
Food microbiology.....	37,410	37,000	37,000
Chemical residues.....	102,714	103,000	225,000
Antibiotic residues.....	223,210	223,000	334,000
Pathology samples.....	11,160	11,200	12,000

GAO Reports

<u>Number</u>	<u>Date Issued</u>	<u>Date Completed</u>	<u>Description</u>
RCED-97-142	9/30/87	—	"Imported Meat and Livestock" Chemical Residue Detection and the Issue of Labeling.

OIG Reports

38002-2-Hy	1/27/87	—	Audit of imported Meat Process.
38097-1-At	2/5/87	—	FSIS Exporting Procedures
38099-2-At	3/31/87	—	FSIS Controls Over Exporting Procedures.
38607-1-At	9/26/86	—	OIG National Audit of FSIS Meat and Poultry Inspection Program
38609-1-At	11/17/88	—	Monitoring and Controlling Pesticide Residues in Domestic Meat and Poultry Products.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$10,618,000 for Slaughter Inspection (\$231,565,000 available in 1989) consisting of:

- (a) An increase of \$4,870,000 for mandatory increases in the cost of providing services. This increase will offset the rising cost of goods and services, enabling the Agency to continue providing inspection services at the current level without a decrease in quality or quantity of inspection.
- (b) An increase of \$2,837,000 to strengthen control of residues in meat and poultry plants.

Need for Change. The Department of Agriculture, The National Science Foundation, and Congressional Committees have recognized the threat to public health associated with chemical residues in meat and poultry products. The increasing use of rapid-test kits for detection of antibiotic residues by inspectors in the plants, and a rising level of sampling, require additional inplant staff to perform these tasks.

Nature of Change. The Agency will significantly expand the use of rapid-test kits such as SOS (Sulfa on Site), STOP (Swab Test on Premises) and CAST (Calf Antibiotic Sulfa Test) to detect antibiotic residues in meat and poultry. The Agency will also expand sampling for other chemical residues which can be detected by laboratory tests. An additional 37 staff years will be added to perform the inplant tasks associated with this higher level of sampling and testing, and to analyze and interpret the data collected by the program.

- (c) An increase of \$2,274,000 to strengthen inspection of slaughtering establishments.

Need for Change. The Agency's slaughter inspection workforce has been decreasing in recent years at a time when industry production has been rising. Plant expansion, in the form of new slaughter lines and work

shifts, has been adding an average of 100 new slaughter inspection stations per year. Streamlined inspection procedures have enabled the Agency to absorb most of this additional workload, the remainder has been covered by doubling inspector assignments and detailing processing inspectors to slaughter stations.

Nature of Change. This item will provide additional inplant slaughter inspection capability, including 62 staff years, which will permit the Agency to continue full coverage of critical inspection posts during the period of changeover to the new processing inspection procedures.

- (d) An increase of \$637,000 to inaugurate a new supervisory training program.

Need for Change. Fiscal Year 1990 will be the first full year of operation for the Agency training center at Texas A&M University. One of the first needs that will be addressed by the new center is the training of field supervisory staff in the new scientific inspection techniques currently being introduced into the program.

Nature of Change. Approximately 40 new circuit supervisors will receive 40 to 50 weeks of training annually in management and technical skills. The program will consist of directed studies, formal classroom training, cross training in technical areas outside the trainee's specific skill area, and shadow assignments with designated circuit supervisors. Two additional staff years will be required.

- (2) A net increase of \$1,982,000 for Processing Inspection (\$96,843,000 available in 1989) consisting of:

- (a) An increase of \$1,938,000 for mandatory increases in the cost of providing services. This increase will offset the rising cost of goods and services, enabling the Agency to continue providing inspection services at the current level without a decrease in the quality or quantity of inspection.
- (b) A net decrease of \$899,000 resulting from introduction of improved processing procedures.

Need for Change. The Processed Products Inspection Act of 1986 amended the Federal Meat Inspection Act to permit USDA to vary the frequency and manner of inspection in processing operations based on risk and plant performance. This item includes savings associated with the implementation of Improved Processing Inspection, and costs associated with the initial establishment of management and support systems essential to the operation of the program.

Nature of Change. Implementation of Improved Processing Inspection will require two essential preparatory steps before reductions in the frequency of plant inspection can be extensively applied nationwide. \$1,445,000 and 36 staff years will be required to strengthen the field supervisory and support staff to process and review the increased volume of data associated with discretionary inspection; and \$1,012,000 and 11 staff years will be required to complete the development and installation of the information systems necessary to manage and oversee the system. These systems will maintain information on plant performance factors to guide management in decisions relating to the level and intensity of inspection required in each processing establishment. \$4,610,000 and 148 inspection staff years will be saved in 1990 through reduction of the numbers of inspectors required to inspect processing operations. The saving will be partially offset by \$1,254,000 in costs associated with changes in the salary of employees who qualify to fill the more technically demanding positions in improved processing inspection.

- (c) An increase of \$943,000 to inaugurate a new supervisory training program, and train food technologists

Need for Change. Fiscal Year 1990 will be the first full year of operation for the Agency training center at Texas A&M University. One of the first needs that will be addressed by the new center is training of field supervisory staff in the new scientific inspection techniques currently being introduced into the program. In addition to training needs of the supervisory staff, training must be greatly accelerated to prepare the inplant inspection force to meet the requirement of improved processing inspection for a more highly skilled inspection force.

Nature of Change. Approximately 40 new circuit supervisors will receive 40 to 50 weeks of training annually in management and technical skills. The program will consist of directed studies, formal classroom training, cross training in technical areas outside the trainee's specific skill area, and shadow assignments with designated circuit supervisors. Six months of training will be provided for 100 new food technologists to be added to the inplant inspection force by the end of fiscal year 1990. One additional staff year will be required.

- (3) An increase of \$252,000 for Import-Export Inspection (\$10,519,000 available in 1989) consisting of:

An increase of \$252,000 for mandatory increases in the cost of providing services. This increase will offset the rising cost of goods and services, enabling the Agency to continue providing inspection of products entering the United States at the current level without a decrease in quality or quantity of inspection.

- (4) An increase of \$3,549,000 for Laboratory Services (\$29,156,000 available in 1989) consisting of:

- (a) An increase of \$803,000 for mandatory increases in the cost of providing services. This increase will offset the rising cost of goods and services, enabling the Agency to continue to provide laboratory testing services at the current level without a decrease in quality or quantity of service provided.
- (b) An increase of \$2,746,000 to strengthen the laboratory testing program for detection of residues.

Need for Change. The Department of Agriculture, The National Science Foundation, and Congressional Committees have recognized the threat to public health associated with chemical residues in meat and poultry products. In addition to the need for stronger efforts to detect and control residues at the plant level (discussed above under "Slaughter Inspection") the Agency needs to strengthen its laboratory testing programs to verify the effectiveness of inplant control procedures, and to detect problems for which inplant tests do not exist.

Nature of Change. The Agency will develop a quality assurance program that will review operations in Federal, State, Contract, and Accredited Laboratories to assure that all maintain proper quality levels in relation to test performance, facilities, equipment, staff qualifications, and data handling. In addition, the Agency risk assessment program, which is required to evaluate the risk levels associated with 450 chemical compounds that might be found in meat and poultry food products, will expand its planned reviews from 10 new compounds per year, to 50. Laboratory testing of samples drawn by inplant inspectors will increase, necessitating the addition of 24 staff years in the Laboratory Services activity to process the additional workload.

- (5) An increase of \$1,438,000 for Grants to States (\$36,877,000 available in 1989) to offset increasing costs in the State Programs.

Need for Change. State-operated inspection programs are subject to increased costs for travel, training, and other goods and services. If USDA is unable to provide its matching fifty percent of the cost of these programs in fiscal year 1990, it could result in some States being forced to terminate their programs for lack of adequate funding. In these cases the Federal Government is required by law to assume full cost and responsibility for inspection in these states.

Nature of Change. The total funds requested for grants to cooperating States are increased by 3.9 percent over fiscal year 1989 levels, to meet the rising cost of providing State inspection services.

Food Safety and Inspection Service
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1988 and Estimated 1989 and 1990

	FY 1988		FY 1989 Estimate		FY 1990 Estimate	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Alabama.....	\$13,108,509	331	\$13,547,000	330	\$14,144,000	331
Alaska.....	354,859	0	367,000	0	383,000	0
Arizona.....	1,575,119	31	1,628,000	31	1,699,000	31
Arkansas.....	19,241,696	516	19,885,000	515	20,761,000	516
California.....	22,900,854	615	23,666,000	613	24,709,000	616
Colorado.....	5,954,884	165	6,154,000	165	6,425,000	165
Connecticut.....	1,617,533	41	1,672,000	41	1,745,000	41
Delaware.....	3,776,751	99	3,903,000	99	4,075,000	99
District of Columbia	35,483,381	672	36,670,000	670	38,285,000	673
Florida.....	6,658,504	122	6,881,000	122	7,184,000	122
Georgia.....	23,361,051	538	24,142,000	536	25,206,000	538
Hawaii.....	1,053,069	4	1,088,000	4	1,136,000	4
Idaho.....	2,153,009	58	2,225,000	58	2,323,000	58
Illinois.....	11,217,036	222	11,592,000	221	12,103,000	222
Indiana.....	6,568,899	129	6,788,000	129	7,088,000	129
Iowa.....	15,052,501	381	15,556,000	380	16,241,000	381
Kansas.....	9,907,586	246	10,239,000	245	10,690,000	246
Kentucky.....	4,381,086	117	4,528,000	117	4,727,000	117
Louisiana.....	4,271,723	75	4,415,000	75	4,609,000	75
Maine.....	1,444,761	39	1,493,000	39	1,559,000	39
Maryland.....	8,459,188	184	8,742,000	183	9,127,000	184
Massachusetts.....	2,690,530	70	2,780,000	70	2,903,000	70
Michigan.....	7,698,993	210	7,956,000	209	8,307,000	210
Minnesota.....	11,844,776	310	12,241,000	309	12,780,000	310
Mississippi.....	8,065,892	188	8,336,000	187	8,703,000	188
Missouri.....	13,206,021	327	13,647,000	326	14,249,000	327
Montana.....	1,676,560	41	1,733,000	41	1,809,000	41
Nebraska.....	10,495,326	289	10,846,000	288	11,324,000	289
Nevada.....	382,827	9	396,000	9	413,000	9
New Hampshire.....	411,085	11	425,000	11	444,000	11
New Jersey.....	5,049,628	134	5,218,000	134	5,448,000	134
New Mexico.....	1,168,880	21	1,208,000	21	1,261,000	21
New York.....	10,913,855	294	11,279,000	293	11,776,000	294
North Carolina.....	13,713,373	315	14,172,000	314	14,796,000	315
North Dakota.....	1,046,820	27	1,082,000	27	1,129,000	27
Ohio.....	10,152,623	174	10,492,000	174	10,954,000	174
Oklahoma.....	4,436,104	73	4,584,000	73	4,786,000	73
Oregon.....	2,890,302	71	2,987,000	71	3,119,000	71
Pennsylvania.....	17,408,377	462	17,990,000	461	18,783,000	462
Rhode Island.....	453,533	12	469,000	12	489,000	12
South Carolina.....	4,390,803	96	4,538,000	96	4,737,000	96
South Dakota.....	3,022,865	74	3,124,000	74	3,262,000	74
Tennessee.....	6,661,330	170	6,884,000	170	7,187,000	170
Texas.....	27,736,276	595	28,663,000	593	29,926,000	595
Utah.....	2,239,238	47	2,314,000	47	2,416,000	47
Vermont.....	469,509	7	485,000	7	507,000	7
Virginia.....	8,164,562	192	8,437,000	191	8,809,000	192
Washington.....	4,682,297	125	4,839,000	125	5,052,000	125
West Virginia.....	1,540,817	25	1,592,000	25	1,662,000	25
Wisconsin.....	7,421,605	145	7,670,000	145	8,008,000	145
Wyoming.....	118,532	2	122,000	2	128,000	2
Guam.....	34,702	1	36,000	1	37,000	1
Puerto Rico.....	2,397,810	63	2,478,000	63	2,587,000	63
Samoa.....	40,715	1	42,000	1	44,000	1
Virgin Islands.....	81,790	2	85,000	2	88,000	2
Foreign Countries...	608,470	8	629,000	8	657,000	8

Total Available
or Estimate.....

391,858,826 9,176 404,960,000 9,153 422,799,000 9,178

ECONOMIC RESEARCH SERVICE

Purpose Statement

The Economic Research Service (ERS), was established in 1961 principally under the authority of the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627).

ERS's mission is to provide economic and social information and analysis for improving the performance of agriculture and rural America.

ERS produces economic and other social science information as a service to the general public and to help Congress and the administration develop, administer, and evaluate agricultural and rural policies and programs. ERS monitors, analyzes, and forecasts U.S. and world agricultural production and demand for production resources, agricultural commodities, and food and fiber products. ERS also measures the costs of and returns to agricultural production and marketing; evaluates the economic performance of U.S. agricultural production and marketing; and estimates the effects of Government policies and programs on farmers, rural residents and communities, natural resources, and the public. In addition, ERS produces economic and other social science information about the organization and institutions of the U.S. and world agricultural production and marketing systems, natural resources, and rural communities.

ERS-produced information is made available to the general public through research monographs, situation and outlook reports, standardized data products in electronic media, professional and trade journals (including ERS's journal, The Journal of Agricultural Economics Research), magazines (including ERS's magazines, Agricultural Outlook, Farmline, National Food Review, and Rural Development Perspectives), radio, television, newspapers, and frequent participation of ERS staff at various public forums.

ERS has four program divisions--Agriculture and Rural Economy, Agriculture and Trade Analysis, Commodity Economics, and Resources and Technology--that carry out the four principal functions of ERS: research, situation and outlook analysis, staff analysis, and development of economic and statistical indicators. Research and economic and statistical indicators provide the knowledge base and data base for the situation and outlook and staff analysis functions. The situation and outlook analysis function entails periodic reports that analyze the current situation and that forecast the short-term outlook for major agricultural commodities, agricultural exports, agricultural finance, agricultural resources, and world agriculture. Staff analysis entails brief assessments of issues requiring policy decisions by the administration and Congress.

ERS is located in Washington, D.C. As of September 30, 1988, ERS had 751 permanent, full-time employees and 42 part-time employees.

ECONOMIC RESEARCH SERVICE

Available Funds and Staff-Years1988 Actual and Estimated, 1989 and 1990

Item	1988		1989		1990	
	Actual	Staff-	Estimated	Staff-	Estimated	Staff-
	Amount	Years	Amount	Years	Amount	Years
Economic Research Service	\$48,186,000:	769:	\$49,336,000:	835:	\$51,714,000:	825
Obligations under other USDA	:	:	:	:	:	:
appropriations:	:	:	:	:	:	:
Agricultural Marketing	:	:	:	:	:	:
Service for study of	:	:	:	:	:	:
marketing of U.S. agri-	:	:	:	:	:	:
cultural products.....	60,812:	--:	67,000:	--:	67,000:	--
Animal and Plant Health	:	:	:	:	:	:
Inspection Service for pest:	:	:	:	:	:	:
management studies	35,000:	1:	35,000:	1:	35,000:	1
Agricultural Research	:	:	:	:	:	:
Service for pest management:	:	:	:	:	:	:
studies	39,700:	--:	10,000:	--:	10,000:	:
Cooperative State Research	:	:	:	:	:	:
Service for review of	:	:	:	:	:	:
agricultural research	:	:	:	:	:	:
projects.....	118,003:	1:	173,000:	1:	173,000:	1
Extension Service for	:	:	:	:	:	:
support of Great Plains	:	:	:	:	:	:
Council	8,000:	--:	--:	--:	--:	--
Foreign Agricultural Service:	:	:	:	:	:	:
for international trade	:	:	:	:	:	:
studies.....	106,530:	--:	15,000:	--:	15,000:	--
Food Safety and Inspection	:	:	:	:	:	:
Service for purchase of	:	:	:	:	:	:
Survey data	11,406:	--:	--:	--:	--:	--
Human Nutrition Information	:	:	:	:	:	:
Service for purchase of	:	:	:	:	:	:
survey data	24,006:	--:	51,000:	--:	51,000:	--
National Agricultural	:	:	:	:	:	:
Statistics Service for	:	:	:	:	:	:
aquaculture study	55,000:	1:	105,000:	1:	105,000:	1
Packers and Stockyards	:	:	:	:	:	:
Administration for	:	:	:	:	:	:
personnel detail	--:	--:	66,000:	1:	66,000:	1
Soil Conservation Service	:	:	:	:	:	:
for support of Great Plains:	:	:	:	:	:	:
Council	8,000:	--:	--:	--:	--:	--
Total, Other USDA	:	:	:	:	:	:
Appropriations	466,457:	3:	522,000:	4:	522,000:	4
Total, Agriculture	:	:	:	:	:	:
Appropriations	48,652,457:	772:	49,858,000:	839:	52,236,000:	829

Item	1988		1989		1990	
	Actual		Estimated		Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
<u>Other Federal Funds:</u>						
Bureau of Reclamation, USDI,:						
for irrigation project	6,340	--	--	--	--	--
Crops of Engineers for grain:						
logistics model	117,710	--	--	--	--	--
Environmental Protection						
Agency for Agricultural						
sector study	21,544	--	22,000	--	22,000	--
Federal Executive Institute:						
for personnel detail	1,519	--	--	--	--	--
Food and Drug Administration:						
for food additive study	--	--	10,000	--	10,000	--
Forest Service for grazing						
fees study and Great Plains:						
Council support	19,958	--	25,000	--	25,000	--
Office of International						
Cooperation and Development:						
for personnel details and						
food aid studies	775,278	19	866,000	20	866,000	20
Office of Management and						
Budget for personnel detail:	--	--	55,000	1	55,000	1
Total, Other Federal Funds ..	942,349	19	978,000	21	978,000	21
<u>Non-Federal Funds:</u>						
Miscellaneous Contributed						
Funds for Boll Weevil						
Foundation, National Honey						
Board, publication and data:						
sales, and other private						
organizations	82,748	--	229,000	--	200,000	--
Total, Non-Federal Funds ..	82,748	--	229,000	--	200,000	--
Total, Economic Research						
Service	49,677,544	791	51,065,000	860	53,414,000	850

Full-time Equivalent Staff-Years:	1988	1989	1990
	Actual	Estimated	Estimated
Ceiling	791	860	850
Non-Ceiling	--	--	--
Total	791	860	850

ECONOMIC RESEARCH SERVICE

Permanent Positions by Grade and Staff-Year Summary

1988 and Estimated 1989 and 1990

Grade	FY 1988			FY 1989			FY 1990		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-5	1	--	1	1	--	1	1	--	1
ES-4	5	--	5	6	--	6	6	--	6
ES-3	2	--	2	1	--	1	1	--	1
GS/GM-16	1	--	1	1	--	1	1	--	1
GS/GM-15	51	--	51	56	--	56	55	--	55
GS/GM-14	107	2	109	118	1	119	118	--	118
GS/GM-13	189	1	190	205	2	207	204	1	205
GS-12	129	1	130	140	2	142	140	--	140
GS-11	40	--	40	44	--	44	43	--	43
GS-9	34	--	34	37	--	37	37	--	37
GS-8	14	--	14	15	--	15	15	--	15
GS-7	48	--	48	52	--	52	51	--	51
GS-6	49	--	49	54	--	54	53	--	53
GS-5	41	--	41	45	--	45	44	--	44
GS-4	29	--	29	32	--	32	32	--	32
GS-3	6	--	6	7	--	7	7	--	7
GS-2	1	--	1	1	--	1	1	--	1
Total Permanent Positions	747	4	751	815	5	820	809	1	810
Staff-Years:									
Ceiling	786	5	791	855	5	860	849	1	850
Non-Ceiling	--	--	--	--	--	--	--	--	--
TOTAL	786	5	791	855	5	860	849	1	850

ECONOMIC RESEARCH SERVICE

CLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation:			
Headquarters	\$29,623,930	\$32,735,000	\$32,829,000
Field	<u>193,874</u>	<u>197,000</u>	<u>40,000</u>
11 Total personnel compensation	29,817,804	32,932,000	32,869,000
12 Personnel Benefits ...	4,509,177	5,135,000	5,126,000
13 Benefits for former personnel	<u>18,461</u>	<u>18,000</u>	<u>18,000</u>
Total Personnel Compensation & Benefits.....	<u>34,345,442</u>	<u>38,085,000</u>	<u>38,013,000</u>
Other Objects:			
21 Travel	682,957	798,000	833,000
22 Transportation of things	72,678	140,000	146,000
23.3 Communications, utilities and miscellaneous charges..	920,358	947,000	987,000
24 Printing and reproduction	423,664	441,000	460,000
25 Other services	9,286,254	7,405,000	9,691,000
26 Supplies and materials	601,015	550,000	573,000
31 Equipment	<u>1,783,632</u>	<u>970,000</u>	<u>1,011,000</u>
Total other objects	<u>13,770,558</u>	<u>11,251,000</u>	<u>13,701,000</u>
Total direct obligations .	<u>48,116,000</u>	<u>49,336,000</u>	<u>51,714,000</u>

Position Data:

Average Salary, ES positions	\$73,290	\$76,488	\$76,488
Average Salary, GM/GS positions	\$38,210	\$39,324	\$38,928
Average Grade, GM/GS positions	11.0	11.0	11.0

ECONOMIC RESEARCH SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Economic Research Service:

For necessary expenses of the Economic Research Service in conducting economic research and service relating to agricultural production, marketing, and distribution, as authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627), and other laws, including economics of marketing; analyses relating to farm prices, income and population, and demand for farm products, use of resources in agriculture, adjustments, costs and returns in farming, and farm finance; research relating to the economic and marketing aspects of farmer cooperatives; and for analyses of supply and demand for farm products in foreign countries and their effect on prospects for United States exports, progress in economic development and its relation to sales of farm products, assembly and analysis of agricultural trade statistics and analysis of international financial and monetary programs and policies as they affect the competitive position of the United States farm products; [~~\$49,336,000~~] \$51,714,000 of which not less than \$500,000 shall be available for investigation, determination and finding as to the effect upon the production of food and upon the agricultural economy of any proposed action affecting such subject matter pending before the Administrator of the Environmental Protection Agency for presentation, in the public interest, before said Administrator, other agencies or before the courts: Provided, That this appropriation shall be available to continue to gather statistics and conduct a special study on the price spread between the farmer and the consumer: Provided further, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225): Provided further, That this appropriation shall be available for analysis of statistics and related facts on foreign production and full and complete information on methods used by other countries to move farm commodities in world trade on a competitive basis.

ECONOMIC RESEARCH SERVICE

Appropriation Act, 1989	\$ 49,336,000
Budget Estimate, 1990	51,714,000
Increase in Appropriation	+2,378,000
	=====

SUMMARY OF INCREASE
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Economic Analysis and Research	\$49,336,000	+\$2,378,000	\$51,714,000

PROJECT STATEMENT
(On basis of appropriation)

	<u>1988 Actual</u>		<u>1989 Estimated</u>		<u>1990 Estimated</u>	
	: Amount	: Staff- : Years	: Amount	: Staff- : Years	: Increase	: Amount : Staff- : Years
Project						
1. Economics Analysis and Research	\$48,116,000:	769	\$49,336,000:	835	+\$2,378,000	\$51,714,000:825
Unobligated balance	:	:	:	:	:	:
Lapsing	70,000:	--	--	--	--	--
	:	:	:	:	:	:
Total appropriation	48,186,000:	769	49,336,000:	835	+ 2,378,000	51,714,000:825
	=====					

EXPLANATION OF PROGRAM

The appropriation for the Economic Research Service funds the following activity:

- Economic analysis and research - This activity includes research, situation and outlook analysis, staff analysis, and development of economic and statistical indicators in four major program areas--agriculture and rural economy, agriculture and trade analysis, commodity economics, and resources and technology.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$2,378,000 for economic analysis and research consisting of:
- (a) An increase of \$2,000,000 for collection and analysis of pesticide and chemical use data (\$480,000 available in 1989).

Need for Change. Production agriculture is faced with a host of environmental concerns and potential regulatory constraints. Concerns about health effects of farm chemicals, surface water pollution, and groundwater contamination have prompted EPA proposals for review of approvals of a large number of pesticides and of Federal regulations to maintain groundwater quality. The environmental and health concerns are shared by farmers and nonfarmers alike. At the same time, the United States must manage those environmental concerns so as to not damage U.S. agriculture's competitive position or threaten farmers' economic viability. The longer term need is for

technology, management practices, and regulations that assure a sustainable, competitive agriculture that does not foul its own nest. Meanwhile, policymakers must understand the consequences of alternative regulatory scenarios, resource policies, technologies, and management practices. The demands on USDA for analysis of these issues is potentially large and is imminent.

Nature of Change. ERS will develop a farm pesticide and chemical data base with sufficient timeliness, detail, and reliability to evaluate the farm consequences of policies that reduce the adverse effects of agricultural chemicals on groundwater while maintaining agricultural productivity and other regulatory constraints on the use of farm chemicals. Specifically, ERS will:

- o expand data collection to include pesticide use on major field crops, livestock, fruits, vegetables, and other specialty crops in all States on a periodic basis (data of State-level significance would be provided; States and other Government agencies may fund detailed sub-State samples);
- o assess the contribution of these pesticides to agricultural productivity, profitability, and product quality;
- o estimate the impact of pesticide regulations on farmers, rural communities, input and product markets, consumers, and international competitiveness in agricultural trade;
- o evaluate "low-input" agricultural systems, their potential to improve groundwater quality, and their impacts on agricultural productivity; and
- o in cooperation with other agencies, determine the role of agricultural pesticides in groundwater contamination, farmers' responses to alternative regulatory policies, and implications of policies for rural groundwater supplies.

In the past, ERS, in cooperation with the National Agricultural Statistics Service, collected detailed pesticide use information at the national and regional levels. However, national pesticide use data collection was discontinued in 1982 because of shifting priorities and dramatic increases in the costs of such survey efforts. Costs for conducting these surveys are still high, but the benefits of obtaining reliable pesticide use data, with State-level validity, overshadow the costs because of recent and accelerating legislative and administrative actions at Federal, State and local levels concerning agricultural chemicals in water.

The increasing requirements of Federal agencies, States, Congress, agricultural interests, and consumer groups for pesticide information cannot be met with currently available data. Reliable pesticide data are required to assess the consequences for farmers, rural communities, input and product markets, and consumers of regulatory efforts to protect ground water. This program would provide the data base and analysis required to support USDA interagency and State efforts to develop the means of effective management of agricultural chemicals and is part of a departmentwide initiative dealing with agricultural chemical use and relationships to environmental quality.

- (b) An increase of \$450,000 for water quality impact analysis (\$320,000 available in 1989).

Need for Change. As part of a departmentwide initiative to strengthen USDA water quality programs, ERS will increase its efforts in conducting economic analyses of water quality policies, programs, and problems. Major studies have used existing secondary data to evaluate the magnitude and costs of ground water contamination from agricultural chemicals and the effects of various methods for managing farm nutrients on surface and ground water quality.

Nature of Change. ERS will provide consultation in the project design, site selection, and case studies and will conduct economic analysis of the profitability and cost effectiveness for in targeted research and education program in the Corn Belt and in eight demonstration projects.

(c) A decrease of \$72,000 because of management savings

ERS will be able to reduce its FY 1990 budget request for the remainder of its base programs by \$72,000 due to increased management efficiency, particularly automation of its data bases.

Economic Research Service
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 and Estimated 1989 and 1990

	1988		1989		1990	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Alabama.....	\$ 100,659	--	\$62,500	--	62,500	--
Alaska.....	229	--	--	--	--	--
Arizona.....	30,679	--	--	--	--	--
Arkansas.....	127,609	1	70,000	1	35,000	--
California.....	267,718	--	62,500	--	62,500	--
Colorado.....	171,416	--	95,000	1	96,000	1
Connecticut....	--	--	--	--	--	--
Delaware.....	27,078	--	--	--	--	--
District of						
Columbia.....	45,423,542	764	48,067,800	830	50,637,800	824
Florida.....	190,395	1	183,800	1	109,800	--
Georgia.....	20,000	--	45,000	--	45,000	--
Idaho.....	14,468	--	20,000	--	20,000	--
Illinois.....	92,108	--	80,000	--	80,000	--
Indiana.....	276,948	1	94,000	1	46,000	--
Iowa.....	85,000	--	5,000	--	5,000	--
Kansas.....	70,000	--	8,000	--	8,000	--
Kentucky.....	75,000	--	15,000	--	15,000	--
Louisiana.....	--	--	15,000	--	15,000	--
Maryland.....	40,633	--	5,000	--	5,000	--
Minnesota.....	235,063	--	72,000	--	72,000	--
Mississippi....	50,000	--	10,000	--	10,000	--
Montana.....	19,293	--	--	--	--	--
Nebraska.....	56,438	--	--	--	--	--
New Mexico.....	20,000	--	26,000	--	26,000	--
New York.....	81,990	--	63,000	--	63,000	--
North Carolina.	--	--	30,000	--	30,000	--
Ohio.....	164,646	1	62,000	1	26,000	--
Oklahoma.....	5,000	--	45,000	--	45,000	--
Oregon.....	25,155	--	30,400	--	30,400	--
Pennsylvania...	146,026	1	--	--	--	--
South Carolina.	--	--	5,000	--	5,000	--
Tennessee	--	--	13,000	--	13,000	--
Texas.....	208,490	--	54,000	--	54,000	--
Virginia.....	30,700	--	35,000	--	35,000	--
Washington.....	29,717	--	47,000	--	47,000	--
Wisconsin.....	30,000	--	15,000	--	15,000	--
Total, Available or Estimate..	48,116,000	769	49,336,000	835	51,714,000	825

NATIONAL AGRICULTURAL STATISTICS SERVICE

Purpose Statement

The National Agricultural Statistics Service (NASS) was reestablished as a separate agency in the USDA on September 30, 1981. The primary responsibilities of NASS are the development and issuance of national and State agricultural statistics and the conduct of statistical research as authorized under the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627).

NASS programs are conducted in the following major areas:

1. Crop and Livestock Estimates. This area includes the conducting of mail, enumerative and objective measurement surveys; summarizing and analyzing survey data; developing estimates of production, supply, price and other aspects of the agricultural economy; preparation and issuance of the official USDA national and State estimates and reports relating to acreages, types, and production of farm crops, number of livestock on farms, livestock products, stocks of agricultural commodities, value and utilization of farm products, prices received and paid by farmers, and other subjects as required.
2. Statistical Research and Service. This area includes the research on and development of improved statistical techniques used in gathering and evaluating statistical data, including use of satellite data.
3. Work Performed for Others. Services are performed for other Federal and State agencies and private commodity organizations on a reimbursable or advance payment basis. These services consist primarily of conducting surveys and performing related statistical data collection activities. They also include technical consultation and support, and technical assistance programs abroad under participating agency service agreements.

The National Agricultural Statistics Service maintains a central office in Washington, D.C., with a large part of the agricultural statistics program carried out through 45 State Statistical Offices serving the 50 States. Most State Statistical Offices are operated as joint State and Federal services through cooperative arrangements with various State agencies. As of September 30, 1988, the Service had 976 full-time permanent employees and 115 part-time employees, including 351 permanent full-time and 56 part-time employees located in Washington, D.C.

NATIONAL AGRICULTURAL STATISTICS SERVICE

Available Funds and Staff-Years1988 Actual and Estimated 1989 and 1990

Item	1988		1989		1990	
	Actual		Estimated		Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
National Agricultural Statistics Service.....	\$61,176,000:	952:	\$63,588,000:	951:	\$71,038,000:	945
<u>Obligations under other USDA appropriations:</u>						
Agricultural Cooperative Service for data processing and consulting services....	75,000:	--	60,000:	--	60,000:	--
Agricultural Marketing Service for consulting services and data on milk prices.....	67,376:	1:	55,000:	1:	55,000:	1
Animal and Plant Health Inspection Service for animal health monitoring system...	75,000:	1:	75,000:	1:	75,000:	1
Agricultural Stabilization and Conservation Service (CCC) for data on feed grains and the drought....	261,000:	4:	66,000:	1:	66,000:	1
Economic Research Service for data on cropping practices, farm costs and returns, farm and rural land markets, land transfer, land values, and farm real estate taxes.....	3,210,550:	50:	3,317,000:	50:	3,619,000:	48
Foreign Agricultural Service for data on sugar	58,000:	1:	62,000:	1:	62,000:	1
Federal Crop Insurance Corporation for acreage and yield production data on insured crops	500,000:	8:	540,000:	8:	540,000:	7
Forest Service for data on grazing fees	31,500:	--	31,500:	--	31,500:	--
Human Nutrition Information Service for consulting services	100,000:	2:	100,000:	2:	100,000:	2
Office of the General Counsel for training	800:	--	--	--	--	--
World Agricultural Outlook Board for grain report and lockup support.....	6,011:	--	6,500:	--	7,000:	--
Total, Other USDA Appropriations	4,385,237:	67:	4,313,000:	64:	4,615,500:	61
Total, Agriculture Appropriations	65,561,237:	1,019:	67,901,000:	1,015:	75,653,500:	1,006

Item	1988		1989		1990	
	Actual		Estimated		Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
<u>Other Federal Funds:</u>						
Commerce, Department of, for:						
data on floriculture and						
land ownership, State and						
county estimates, and						
Census of Agriculture	163,575:	3:	205,500:	3:	53,000:	1
Interior, Department of, for:						
data on grazing fees	31,500:	--:	31,500:	--:	31,500:	--
Labor, Department of, for						
assistance in research on						
computer assisted telephone:						
interview techniques	100,000:	--:	150,000:	--:	--:	--
Office of International						
Cooperation and Development:						
(from AID) for training,						
technical assistance, and						
equipment	1,265,002:	11:	1,100,000:	11:	1,100,000:	9
Total, Other Federal Funds...	1,560,077:	14:	1,487,000:	14:	1,184,500:	10
<u>Non-Federal Funds:</u>						
State Agencies for survey						
work	1,208,587:	19:	1,200,000:	18:	1,200,000:	16
Miscellaneous Contributed						
Funds for distribution of						
crop releases and data						
tapes and for data on						
butter packaging, catfish,						
honey, hops, malting,						
barley, milk, and wheat....	187,522:	2:	200,000:	2:	200,000:	2
Total, Non-Federal Funds...	1,396,109:	21:	1,400,000:	20:	1,400,000:	18
Total, National Agricultural						
Statistics Service.....	68,517,423:	1,054:	70,788,000:	1,049:	78,238,000:	1,034
Full-time Equivalent	1988		1989		1990	
Staff-Years:	Actual		Estimated		Estimated	
Ceiling	1,054		1,049		1,034	
Non-ceiling	2		2		2	
Total	1,056		1,051		1,036	

NATIONAL AGRICULTURAL STATISTICS SERVICE
Permanent Positions by Grade and Staff-Year Summary
1988 and Estimated 1989 and 1990

Grade	FY 1988			FY 1989			FY 1990		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-5	1	--	1	1	--	1	1	--	1
ES-4	3	--	3	3	--	3	3	--	3
ES-3	2	--	2	2	--	2	2	--	2
ES-2	1	--	1	2	--	2	2	--	2
GS/GM-15	17	12	29	18	12	30	19	12	31
GS/GM-14	32	35	67	33	35	68	34	35	69
GS/GM-13	117	67	184	114	67	181	111	67	178
GS-12	34	91	125	34	91	125	32	91	123
GS-11	10	69	79	10	69	79	10	69	79
GS-9	12	44	56	12	44	56	12	44	56
GS-8	17	2	19	17	2	19	16	2	18
GS-7	25	66	91	25	66	91	24	66	90
GS-6	31	71	102	31	71	102	29	71	100
GS-5	29	90	119	29	90	119	27	90	117
GS-4	17	53	70	17	53	70	16	53	69
GS-3	2	20	22	2	20	22	2	20	22
GS-2	1	--	1	1	--	1	1	--	1
Other Graded Positions ..	--	5	5	--	5	5	--	5	5
Total Permanent Positions .	351	625	976	351	625	976	341	625	966
Staff-Years: Ceiling ... Non-Ceiling .	386 1	668 1	1,054 2	381 1	668 1	1,049 2	366 1	668 1	1,034 2
Total ..	387	669	1,056	382	669	1,051	367	669	1,036

NATIONAL AGRICULTURAL STATISTICS SERVICE

CLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation:			
Headquarters	\$ 12,587,413	\$ 12,931,000	\$ 12,726,000
Field	<u>16,984,640</u>	<u>17,641,000</u>	<u>17,964,000</u>
11 Total personnel compensation	29,572,053	30,572,000	30,690,000
12 Personnel benefits ..	5,203,433	5,378,000	5,399,000
13 Benefits for former personnel	<u>15,539</u>	<u>10,000</u>	<u>10,000</u>
Total Pers. comp. & benefits	<u>34,791,025</u>	<u>35,960,000</u>	<u>36,099,000</u>
Other Objects:			
21 Travel	1,050,790	1,320,000	1,400,000
22 Transportation of things	340,464	308,000	324,000
23.3 Communications, utilities, and misc. charges	3,482,043	3,306,000	3,494,000
24 Printing and reproduction	401,733	432,000	453,000
25 Other services	18,798,084	18,818,000	20,639,000
26 Supplies and materials	778,840	898,000	1,827,000
31 Equipment	1,424,141	2,546,000	6,802,000
43 Interest and dividends	<u>1,869</u>	<u>- -</u>	<u>- -</u>
Total other objects	<u>26,277,964</u>	<u>27,628,000</u>	<u>34,939,000</u>
Total direct obligations ..	<u>61,068,989</u> =====	<u>63,588,000</u> =====	<u>71,038,000</u> =====

Position Data:

Average Salary, ES positions	\$72,639	\$75,150	\$75,150
Average Salary, GM/GS positions	\$31,356	\$32,656	\$32,750
Average Grade, GM/GS positions	9.3	9.3	9.3

NATIONAL AGRICULTURAL STATISTICS SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

NATIONAL AGRICULTURAL STATISTICS SERVICE:

For necessary expenses of the National Agricultural Statistics Service in conducting statistical reporting and service work, including crop and livestock estimates, statistical coordination and improvements, and marketing surveys, as authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627) and other laws, [~~\$63,588,000~~] \$71,038,000:
Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$40,000 shall be available for employment under 5 U.S.C. 3109.

NATIONAL AGRICULTURAL STATISTICS SERVICE

Appropriation Act, 1989	\$ 63,588,000
Budget Estimate, 1990	<u>71,038,000</u>
Increase in Appropriation	<u>+7,450,000</u>
	=====

SUMMARY OF INCREASES

(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Probability Crop Yield Surveys	\$ 9,325,000	+\$1,450,000	\$10,775,000
Information Technology Improvements	1,665,000	+6,000,000	7,665,000
All Other	<u>52,598,000</u>	<u>--</u>	<u>52,598,000</u>
Total Available	63,588,000	+7,450,000	71,038,000
	=====	=====	=====

PROJECT STATEMENT

(On basis of appropriation)

Project	<u>1988 Actual</u>		<u>1989 Estimated</u>		<u>1990 Estimated</u>	
	: Amount	: Staff-: Years	: Amount	: Staff-: Years	: Amount	: Staff-: Years
1. Crop and Live- stock estimates..	:\$57,458,273	: 909	:\$59,900,000	: 908	:\$7,450,000 (1):\$67,350,000	: 902
2. Statistical research and service	: 3,610,716	: 43	: 3,688,000	: 43	: -- (2): 3,688,000	: 43
Unobligated balance ...	: 107,011	: --	: --	: --	: --	: --
Total appropriation ...	: 61,176,000	: 952	: 63,588,000	: 951	: 7,450,000	: 71,038,000:945
	=====		=====		=====	

EXPLANATION OF PROGRAM

The National agriculture Statistics Service has two major activities authorized by the Agricultural Marketing Act of 1946, as follows:

- Crop and livestock estimates - Agricultural production and marketing data are collected, summarized, analyzed, and published for a wide range of items including: number of farms and land in farms; acreage, yield, and production for grains; inventories and production of hogs, cattle, sheep and wool, goats, catfish, trout, poultry, eggs, and dairy products; prices received by farmers for products, prices paid for commodities and services, and related indexes; cold storage supplies, and related areas of the agricultural economy. Estimates for about 120 crops and 45 livestock items are published in about 300 Federal reports each year. All information is made available to the public and news media at scheduled release times.
- Statistical research and service - Research is conducted to improve the statistical methods and techniques used in developing agricultural statistics. This research is directed toward better sampling, yield forecasting, and survey techniques. Research under the remote sensing program is continuing to improve the accuracy of domestic and foreign crop acreage and land cover estimates.

OIG Report:

Hq-2601-2(W) 8/3/88, "Unidentified National Agricultural Statistics Service Employee and John R. Williams, Commodity Trader, San Francisco, CA" (Final Report)

GAO Report:

022948 5/10/88, "Minnesota - Wisconsin Pricing Series" (Notification of Assignment)

JUSTIFICATION OF INCREASES(1) An increase of \$7,450,000 for crop and livestock estimates consisting of:(a) An increase of \$1,450,000 for probability crop yield surveys. (\$9,325,000 available in 1989.)

Need for Change. The demand for greater accuracy in the NASS crop estimates is increasing as more reliance is being placed upon them by various data users in their decisionmaking. NASS is moving towards improved reliability of crop estimates by expanding the use of probability-based procedures. This approach has been strongly recommended in recent years by several outside review teams examining NASS methodology.

Nature of Change. This initiative would continue the NASS effort to strengthen the crops estimating program by shifting all major yield surveys to a probability basis resulting in greater reliability of crop forecasts and estimates. This request represents the final phase of a multi-year data quality-oriented program. The monthly crop yield surveys in 45 States, which are not yet included in the program, will be covered with these funds. Also to be included will be the reinstatement of the objective yield surveys for sorghum, sunflower, and rice that were eliminated in 1988.

(b) An increase of \$6,000,000 for Information Technology Improvements. \$1,665,000 available in 1989.)

Need for Change. There is a need to equip the NASS field offices with modern and compatible ADP and teleprocessing equipment to provide more accurate survey data collection and reduced processing times. Additionally, the Agricultural Statistics Board (ASB) needs to establish a data base with easy accessibility to improve analysis procedures and to further develop and use statistically defensible and repeatable procedures. Also there is a need to improve the thoroughness, timeliness, and accuracy of these procedures as well as provide improved access to official estimates.

Nature of Change. These funds would be used for a major ADP acquisition to provide the 45 State Statistical Offices with up-to-date capability for collecting, analyzing, and processing survey data. This equipment would provide for expanded use of computer-assisted telephone interviewing (CATI) and computer-assisted personal interviewing (CAPI). It would also provide on-line capability for maintaining list sampling frames resulting in more up-to-date lists and efficient sample designs. Security for the ASB would be improved as would research into artificial intelligence, statistical editing, composite estimation, CATI, and CAPI.

NATIONAL AGRICULTURAL STATISTICS SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 and Estimated 1989 and 1990

	<u>1988</u>		<u>1989</u>		<u>1990</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
Alabama.....	\$680,249	13	\$707,000	13	\$790,000	13
Alaska.....	101,382	2	105,000	2	117,000	2
Arizona.....	497,722	9	508,000	9	568,000	9
Arkansas.....	1,049,872	17	1,092,000	17	1,220,000	17
California.....	2,605,981	31	2,652,000	31	2,963,000	31
Colorado.....	921,453	17	958,000	17	1,070,000	17
Delaware.....	--	--	54,000	1	72,000	1
District of						
Columbia.....	23,191,153	353	24,228,000	352	27,054,000	346
Florida.....	1,089,687	18	1,134,000	18	1,267,000	18
Georgia.....	996,276	17	1,025,000	17	1,145,000	17
Hawaii.....	364,062	7	379,000	7	423,000	7
Idaho.....	803,814	15	836,000	15	934,000	15
Illinois.....	1,318,817	18	1,372,000	18	1,533,000	18
Indiana.....	930,334	16	968,000	16	1,081,000	16
Iowa.....	1,200,305	17	1,242,000	17	1,388,000	17
Kansas.....	1,081,635	17	1,126,000	17	1,258,000	17
Kentucky.....	839,587	14	874,000	14	976,000	14
Louisiana.....	740,017	9	770,000	9	860,000	9
Maryland.....	519,305	9	567,000	8	633,000	8
Michigan.....	1,023,310	16	1,089,000	16	1,217,000	16
Minnesota.....	1,201,487	17	1,249,000	17	1,395,000	17
Mississippi....	1,061,668	14	1,105,000	14	1,234,000	14
Missouri.....	1,040,470	16	1,083,000	16	1,210,000	16
Montana.....	589,406	11	613,000	11	685,000	11
Nebraska.....	1,139,401	18	1,175,000	18	1,313,000	18
Nevada.....	185,356	4	192,000	4	214,000	4
New Hampshire..	694,872	12	723,000	12	808,000	12
New Jersey.....	444,240	9	462,000	9	516,000	9
New Mexico.....	394,776	8	411,000	8	459,000	8
New York.....	1,271,827	13	1,303,000	13	1,456,000	13
North Carolina.	1,088,697	15	1,133,000	15	1,266,000	15
North Dakota...	751,024	14	781,000	14	873,000	14
Ohio.....	919,035	15	979,000	15	1,094,000	15
Oklahoma.....	860,570	14	896,000	14	1,001,000	14
Oregon.....	802,982	14	814,000	14	909,000	14
Pennsylvania...	792,157	15	824,000	15	921,000	15
South Carolina.	569,664	11	593,000	11	662,000	11
South Dakota...	811,544	13	845,000	13	944,000	13
Tennessee.....	808,084	13	841,000	13	940,000	13
Texas.....	1,893,475	26	1,994,000	26	2,228,000	26
Utah.....	402,535	8	419,000	8	468,000	8
Virginia.....	765,652	11	736,000	11	822,000	11
Washington.....	843,254	13	877,000	13	980,000	13
West Virginia..	369,944	8	385,000	8	430,000	8
Wisconsin.....	981,960	17	1,022,000	17	1,142,000	17
Wyoming.....	429,948	8	447,000	8	499,000	8
Total, Available or Estimate..	<u>61,068,989</u>	<u>952</u>	<u>63,588,000</u>	<u>951</u>	<u>71,038,000</u>	<u>945</u>

PASSENGER MOTOR VEHICLES

The 1990 Budget Estimates propose the purchase of 1 additional motor vehicle and the replacement of 3 passenger motor vehicles.

The passenger motor vehicles of the National Agricultural Statistics Service are used (where common carrier or GSA vehicles are not feasible) for necessary field travel in carrying out the mission of the agency. All passenger motor vehicles are located at various field offices.

Additional passenger motor vehicle. The one additional passenger motor vehicle is for the NASS field offices. GSA has gradually closed many of its motor pool facilities making it more difficult for NASS personnel to obtain cars when needed. The use of common carrier is not feasible in carrying out the program of NASS.

Replacement of passenger motor vehicles. Replacement of 3 of the 13 vehicles now in operation is proposed. These 13 vehicles are located in 12 field locations and are necessary to meet the transportation requirements inherent in carrying out the agency's program. The vehicles proposed to be replaced will have passed the minimum replacement standards of 6 years of age or 60,000 miles prescribed by the General Services Administration.

Age and mileage data for motor vehicles on hand as of September 30, 1988, are as follows:

<u>Age-Year Model</u>	<u>Number of Vehicles</u>	<u>Percent of Total</u>	<u>Lifetime Mileage (thousands)</u>	<u>Number of Vehicles</u>	<u>Percent of Total</u>
1983 or older	4	31	80-100	1	8
1984	1	8	60-80	2	15
1985	4	31	40-60	2	15
1986	1	8	20-40	4	31
1988	3	23	Under 20	4	31
Total	13	100 a/	Total	13	100

a/ Column does not add because of rounding.

WORLD AGRICULTURAL OUTLOOK BOARD

Purpose Statement

The World Agricultural Outlook Board (WAOB) was created by the Secretary of Agriculture on June 3, 1977, under the authority of the Reorganization Plan No. 2 of 1953. The WAOB serves as the single focal point for the Nation's economic intelligence related to domestic and international food and agriculture, and is responsible for coordination and clearance review of all commodity and aggregate agricultural and food-related data used to develop outlook and situation material within the Department of Agriculture. The WAOB's primary objective is to improve the consistency, objectivity and reliability of outlook and situation material developed in the Department.

WAOB functions include information dissemination; market surveillance; coordination of assessments of international and domestic agricultural developments; and coordination of weather, climate and remote sensing research and forecasting techniques.

The WAOB is located in Washington, D.C. As of September 30, 1988, there were 27 full-time and 1 part-time employee. Budget, personnel, administrative and general managerial support are provided by the Economics Management Staff.

WORLD AGRICULTURAL OUTLOOK BOARD

Available Funds and Staff-Years1988 Actual and Estimated, 1989 and 1990

Item	1988		1989		1990	
	Actual	Staff-	Estimated	Staff-	Estimated	Staff-
	Amount	Years	Amount	Years	Amount	Years
World Agricultural Outlook Board	\$1,730,000	27	\$1,820,000	30	\$2,045,000	32
<u>Obligations under other USDA appropriations:</u>						
Agricultural Research:						
Service for Remote Sensing Symposia....	10,000	--	--	--	--	--
Economic Research Service for annual Outlook Conference..	10,251	--	13,700	--	14,200	--
Extension Service for annual Outlook Conference	6,836	--	9,100	--	9,500	--
Foreign Agricultural Service for annual Outlook Conference..	3,416	--	4,600	--	4,700	--
Miscellaneous reimbursements.....	1,600	--	1,600	--	1,600	--
Total, Other USDA Appropriations....	32,103	--	29,000	--	30,000	--
Total, Agriculture Appropriations....	1,762,103	27	1,849,000	30	2,075,000	32
Total, World Agricultural Outlook Board.....	1,762,103	27	1,849,000	30	2,075,000	32

Full-Time Equivalent Staff-Years:	1988 Actual	1989 Estimated	1990 Estimated
Ceiling	27	30	32
Non-ceiling	--	--	--
Total	27	30	32

WORLD AGRICULTURAL OUTLOOK BOARD

Permanent Positions by Grade and Staff-Year Summary

1988 and Estimated 1989 and 1990

Grade	1988 Headquarters	1989 Headquarters	1990 Headquarters
ES-4	1	1	1
ES-3	1	1	1
GS/GM-15	7	8	9
GS/GM-14	4	3	3
GS/GM-13	2	2	3
GS-12	4	6	7
GS-11	1	2	2
GS-9	3	3	3
GS-8	1	1	1
GS-7	2	3	2
GS-5	1	--	--
Total Permanent Positions	27	30	32
Staff-Years: Ceiling	27	30	32
Non-Ceiling	--	--	--
Total	27	30	32

WORLD AGRICULTURAL OUTLOOK BOARD

CLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation:			
Headquarters	\$1,216,819	\$1,218,000	\$1,312,000
Field	<u>- -</u>	<u>- -</u>	<u>- -</u>
11 Total personnel compensation	1,216,819	1,218,000	1,312,000
12 Personnel benefits ...	155,841	170,000	183,000
13 Benefits for former personnel	<u>33</u>	<u>- -</u>	<u>- -</u>
Total pers. comp. & benefits	1,372,693	1,388,000	1,495,000
Other Objects:			
21 Travel	30,685	34,000	37,000
22 Transportation of things	148	- -	- -
23.3 Communications, utilities, and misc. charges	55,738	50,000	50,000
24 Printing and reproduction	26,808	19,000	19,000
25 Other services	146,303	229,000	314,000
26 Supplies and materials	48,954	32,000	37,000
31 Equipment	37,251	68,000	93,000
43 Interest and dividends	<u>17</u>	<u>- -</u>	<u>- -</u>
Total other objects	<u>345,904</u>	<u>432,000</u>	<u>550,000</u>
Total direct obligations ...	<u>1,718,597</u>	<u>1,820,000</u>	<u>2,045,000</u>
Position Data:			
Average Salary, ES positions	\$72,415	\$75,384	\$75,384
Average Salary, GM/GS positions	\$43,361	\$44,106	\$45,596
Average Grade, GM/GS positions	12.00	12.07	12.37

WORLD AGRICULTURAL OUTLOOK BOARD

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

World Agricultural Outlook Board:

For necessary expenses of the World Agricultural Outlook Board to coordinate and review all commodity and aggregate agricultural and food data used to develop outlook and situation material within the Department of Agriculture, as authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1622g), [~~\$1,820,000~~] \$2,045,000:
Provided, That this appropriation shall be made available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225).

WORLD AGRICULTURAL OUTLOOK BOARD

Appropriations Act, 1989.....	\$1,820,000
Budget Estimate, 1990	<u>2,045,000</u>
Increase in Appropriation	<u>+225,000</u>

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Meteorological Coverage for			
U.S. Situation and Outlook	- -	+\$135,000	\$135,000
Economic Analysis & Coordination			
of Supply/Demand Estimates	- -	+85,000	85,000
USDA Remote Sensing Coordination..	- -	+30,000	30,000
All Other	<u>\$1,820,000</u>	<u>-25,000</u>	<u>1,795,000</u>
Total Available	<u>1,820,000</u>	<u>+225,000</u>	<u>2,045,000</u>

PROJECT STATEMENT

(On basis of appropriation)

	<u>1988 Actual</u>		<u>1989 Estimated</u>			<u>1990 Estimated</u>	
		<u>Staff-</u>		<u>Staff-</u>			<u>Staff-</u>
<u>Project</u>	<u>Amount</u>	<u>Years</u>	<u>Amount</u>	<u>Years</u>	<u>Increase</u>	<u>Amount</u>	<u>Years</u>
1. Commodity and:							
Aggregate :							
Agricultural:							
and Food :							
Outlook and :							
Situation...:	\$1,718,597:	27	\$1,820,000:	30	+\$225,000:	\$2,045,000:	32
Unobligated :							
balance lapsing.:	11,403:	--	--	--	--	--	--
Total, appropria-							
tion or estimate:	1,730,000:	27	1,820,000:	30	+225,000:	2,045,000:	32

EXPLANATION OF PROGRAM

The World Agricultural Outlook Board (WAOB) coordinates and reviews for clearance all commodity and aggregate agricultural and food-related data used to develop outlook and situation material within the U.S. Department of Agriculture. The WAOB provides a focal point for the Nation's economic intelligence relative to domestic and international food and agriculture, with two primary objectives: improving the consistency, objectivity, and reliability of outlook and situation material being disseminated to the public; and integrating and coordinating USDA domestic and international economic information assistance. In a cooperative effort with the National Oceanic and Atmospheric Administration, the WAOB operates the Joint Agricultural Weather Facility which provides a daily review of significant weather developments around the world and their implications for agriculture. The WAOB's functions include market surveillance; coordination of assessments of international and domestic agricultural developments; weather, climate and remote sensing coordination; and forecasting techniques and information dissemination.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase of \$225,000 as follows:(a) An increase of \$135,000 for meteorological coverage for U.S. Situation and Outlook.

Need for Change. The United States is the only major country for which the Joint Agricultural Weather Facility (JAWF) does not have resources dedicated to monitoring and analyzing the impact of weather on crop yields. Integration of climate and current weather data into USDA's economic analyses is a major objective of the WAOB/NOAA Joint Agricultural Weather Facility. Participation in meteorological data base development at regional agricultural weather centers which provide farmers with weather data for use in making production decisions, is needed to facilitate USDA access to this critical information source.

Nature of Change. An additional agricultural meteorologist is needed to expand coverage and prepare improved crop yield assessments for the United States. This staff-year would be dedicated entirely to monitoring U.S. weather and preparing related crop impact assessments. Additional ADP support is needed to automate, analyze and manage a substantially larger U.S. weather and crop data base. At present, JAWF collects data from only 100 first order reporting stations in the United States. To facilitate improved analyses, data from approximately 1,000 USDA crop reporting districts needs to be incorporated into the operational program. In this effort, the weather data base will be improved and expanded to include regional data for major U.S. crops. Information will be collected regarding length of growing season, normal first and last freeze dates, and growing degree days. Acquisition of data from Regional Climate Centers of the National Climate Program will supplement the Department's information base for preparing crop condition and water quality/resource assessments.

(b) An increase of \$85,000 for economic analysis and coordination of supply and demand estimates.

Need for Change. Funding is needed to coordinate USDA long-range commodity projections, monitor and evaluate the accuracy of global commodity supply/use projections and short-term forecasts. In January 1988, the Secretary of Agriculture directed the Assistant Secretary for Economics to take those actions needed to insure that the best expertise and analyses of the Department are incorporated into long-range projections. The World Board needs to intensify its effort on the 5-year commodity projections that underlie the President's budget and that serve as a base for the Department to analyze alternative price support programs. In an April 1988 report, GAO pointed to commodity projections as a major source of variation in the Department's estimates of CCC expenditures.

Nature of Change. An economist is needed to coordinate and monitor USDA long-range commodity projections and evaluate the accuracy of global commodity supply/demand estimates for the purpose of improving USDA forecasting performance. This will require construction and maintenance of an extensive data base for the estimates of Commodity Credit Corporation (CCC) expenditures prepared for the purpose of comparing monthly and final estimates of supply and demand parameters for all major agricultural commodities. Statistical measures of the accuracy of forecasts will be developed for the purpose of recommending improved forecast methodologies to commodity analysts. Cross commodity analyses will be performed to assure that forecasts are internally consistent. The economist will work closely with principal analysts for all the major commodities to review USDA forecasting performance.

(c) An increase of \$30,000 for USDA remote sensing.

Need for Change. Funding is requested to inventory and document, with contractor assistance, USDA-wide remote sensing activities, aimed at identifying high priority areas not covered and at avoiding costly duplication among the approximately \$26 million of remote sensing projects.

Nature of Change. The additional funds will be used to inventory and document USDA remote sensing activities. An inventory will: provide a basis for targeting remote sensing applications research; inform users of ongoing activities, thereby avoiding duplication of effort and ensuring efficiency in applications through technology sharing; facilitate comparison and evaluation of alternative remote sensing methodologies; provide the basis for evaluation of remote sensing as an information source compared to other information sources; and, provide a much-needed "ready reference" for queries from Congress, GAO, the media, and the public.

(d) A decrease of \$25,000 in general operating expenses.

WAOB will be able to reduce its FY 1990 budget request due to anticipated increase in personnel lapse.

World Agricultural Outlook Board
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 and Estimated 1989 and 1990

	<u>1988</u>		<u>1989</u>		<u>1990</u>	
	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>
District of Columbia	\$1,718,597	27	\$1,820,000	30	\$2,045,000	32
Total Available or Estimate.....	<u>1,718,597</u>	<u>27</u>	<u>1,820,000</u>	<u>30</u>	<u>2,045,000</u>	<u>32</u>

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Purpose Statement

The Office of International Cooperation and Development (OICD) was established by Secretary's Memorandum No. 1947 of May 1, 1978. OICD was given responsibility for technical assistance, international training and development programs, management of international organization affairs, and scientific exchanges. OICD's functions were expanded by Secretary's Memorandum No. 1988, of October 26, 1979, which delegated the Agency authority for international cooperative research. In August 1986, OICD was provided authority to disseminate information to the U.S private sector on foreign market and investment opportunities.

OICD's mission is to promote U.S. agriculture and to advance the agriculture of developing countries as parts of a global agricultural system capable of providing ample food and fiber for all people. In order to accomplish this mission, OICD applies USDA policies and U.S. agricultural perspectives in its programs of international cooperation and development, and in its collaboration with foreign countries, international organizations, U.S. universities and other research institutions, Federal agencies, and the private sector.

OICD's program objectives are:

(1) to ensure that American agricultural interests related to global food security and international development are considered in the policy processes of the U.S. government and international organizations;

(2) to efficiently and creatively use resources available to USDA, universities, agribusiness, and international organizations in the implementation of international agricultural development and cooperative programs;

(3) to ensure that U.S. commodity groups, producers, and agribusiness benefit from research and other activities resulting from cooperative agreements with other countries;

(4) to initiate cooperative efforts with other countries and international organizations that lead to the sound management of natural resources;

(5) to improve agricultural production and related capabilities of the developing countries by enlisting the resources of government, universities, and agribusiness in technical assistance, training, and scientific cooperative programs.

As of September 30, 1988, there were 160 permanent full-time employees (147 in headquarters and 13 on resident assignments overseas) and 32 other employees (30 in headquarters and 2 on resident assignments overseas).

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Available Funds and Staff-Years

1988 Actual and Estimated, 1989 and 1990

	1988 Actual	Staff: Years	1989 Estimated	Staff: Years	1990 Estimated	Staff: Years
Salaries and Expenses.....	\$5,319,000	61	\$5,345,000	60	\$4,983,000	61
Scientific Activities Overseas (Foreign Currency Research.....	1,500,000	--	1,000,000	--	--	--
Total, Agricultural Appropriations.....	6,819,000	61	6,345,000	60	4,983,000	61
<u>Other Federal Funds:</u>						
Agency for International Development, for foreign nationals' training and development assistance...	37,217,670	138	38,302,000	131	42,000,000	131
<u>Non-Federal Funds:</u>						
Contributions for USDA development assistance and research (Spain, Saudi Arabia, inter- national organizations)...	3,213,000	--	3,935,000	--	3,935,000	--
Total, Office of International Cooperation: and Development.....	47,249,670	199	48,582,000	191	50,918,000	192

Full-Time Equivalent Staff Years:	1988 <u>Actual</u>	1989 <u>Estimated</u>	1990 <u>Estimated</u>
Ceiling.....	199	191	192
Non-ceiling.....	<u>16</u>	<u>16</u>	<u>16</u>
Total.....	<u>215</u>	<u>207</u>	<u>208</u>

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Permanent Positions by Grade and Staff-Year Summary

1988 and Estimated 1989 and 1990

	1988		1989		1990	
Grade	Headquarters	Field	Total	Headquarters	Field	Total
ES-6	1		1	1	1	1
ES-5	1		1	1	1	1
ES-1	1		1	1	1	1
GS/GM-15	11	1	12	11	1	12
GS/GM-14	23	1	24	23	2	24
GS/GM-13	30		30	30		30
GS-12	22		22	22		22
GS-11	7		7	7		7
GS-9	8		8	8		8
GS-8	5		5	5	1	5
GS-7	19		19	19		19
GS-6	13		13	13		13
GS-5	5		5	5		5
GS-4	4		4	4		4
Other Graded Positions.....	10		10	10		10
Total Permanent Positions.....	150	12	162	150	149	163
Staff Years:						
Ceiling.....	197	2	199	189	190	192
Non-ceiling..	6	10	16	6	10	16
TOTAL.....	203	12	215	195	196	208

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

CLASSIFICATION BY OBJECTS

1988 Actual and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation:			
Headquarters.....	\$2,388,964	\$2,437,000	\$2,376,000
Field.....	--	--	95,000
11 Total personnel compensation.....	2,388,964	2,437,000	2,471,000
12 Personnel Benefits.....	399,173	406,000	413,000
Total Personnel Compensation and Benefits.....	2,788,137	2,844,000	2,884,000
Other Objects:			
21 Travel.....	631,624	608,000	450,000
22 Transportation of things	13,449	13,000	12,000
23.2 Rental payments to others.....	2,198	2,000	2,000
23.3 Communications, utilities, and other rent.....	43,899	40,000	37,000
24 Printing and reproduction.....	2,540	2,000	2,000
25 Other services.....	1,481,202	1,322,000	1,111,000
26 Supplies and materials..	20,897	22,000	33,000
31 Equipment.....	41,197	41,000	75,000
41 Research grants.....	3,780,282	1,452,000	777,000
Total Other Objects.....	6,017,289	3,502,000	2,499,000
Total direct obligations...	8,805,426	6,345,000	5,383,000
<u>Position Data:</u>			
Average Salary, ES positions.....	72,998	72,998	72,998
Average Salary, GS positions.....	31,113	32,358	32,358
Average Grade, GS positions.....	10.8	10.8	10.8

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

The estimates include appropriation language for this item as follows (new language underscored; deleted language enclosed in brackets).

Salaries and Expenses:

For necessary expenses of the Office of International Cooperation and Development to coordinate, plan, and direct activities involving international development, technical assistance and training, and international scientific and technical cooperation in the Department of Agriculture, including those authorized by the Food and Agriculture Act of 1977 (7 U.S.C. 3291), [~~\$5,319,000~~] \$4,983,000; Provided, That not to exceed \$3,000 of this amount shall be available for official reception and representation expenses as authorized by 7 U.S.C. 1766; [Provided further, That in addition, funds available to the Department of Agriculture shall be available to assist an international organization in meeting the costs, including salaries, fringe benefits and other associated costs, related to the employment by the organization of Federal personnel that may transfer to the organization under the provisions of 5 U.S.C. 3581-3584, or of other well-qualified United States citizens, for the performance of activities that contribute to increased understanding of international agricultural issues, with transfer of funds for this purpose from one appropriation to another or to a single account authorized, such funds remaining available until expended:] Provided further, That the Office may utilize advances of funds, or reimburse this appropriation for expenditures made on behalf of Federal agencies, public and private organizations and institutions under agreements pursuant to the agricultural food production assistance programs (7 U.S.C. 1786) and the foreign assistance programs of the International Development Cooperation Administration (22 U.S.C. 2392).

This change deletes the appropriation language. OICD does not intend to use the authority beyond 1989. No Associate Professional Officers will be appointed.

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Appropriation Act, 1989.....	\$5,319,000
Budget Estimate, 1990.....	4,983,000
Decrease in appropriation.....	<u>-336,000</u>

Adjustments in 1989:

Appropriation Act, 1989.....	\$5,319,000
Services previously financed by Department of State a/	<u>+26,000</u>

Adjusted base for FY 1989.....	5,345,000
Budget Estimate, 1990.....	4,983,000
Decrease in appropriation.....	<u>-362,000</u>

a/ Pursuant to Report No. 100-34 of the House Committee on Foreign Affairs, administrative support costs previously financed by the Department of State will be financed by the agencies receiving these services. The Department of State will continue to provide the services.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Scientific Exchanges.....	\$1,486,000	--	\$1,486,000
Administration of International Research.....	1,455,000	-\$22,000	1,433,000
USDA Liaison with International Organizations	612,000	+167,000	779,000
Development, Planning, and Analysis.....	300,000	+235,000	535,000
Middle-Income Country Training.....	1,492,000	-1,492,000	--
Operation FAST.....	--	+750,000	750,000
Total Available.....	<u>5,345,000</u>	<u>-362,000</u>	<u>4,983,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

	: 1988 Actual		: 1989 Estimated:		: 1990 Estimated :	
Project	:	:	:	:	:	:
	:	Staff	:	Staff	Increase or	Staff:
	:	Amount	Years	Amount	Decrease	Amount
	:	:	:	:	:	Years:
1. International Scien- :	:	:	:	:	:	:
tific and Technical :	:	:	:	:	:	:
Cooperation: :	:	:	:	:	:	:
a. Scientific :	:	:	:	:	:	:
Exchanges..... :	\$1,477,000:	18:	\$1,486,000:	18:	--	\$1,486,000: 18:
b. Administration of :	:	:	:	:	:	:
International :	:	:	:	:	:	:
Research..... :	1,446,000:	23:	1,455,000:	22:	-\$22,000(1):	1,433,000: 20:
c. USDA liaison with :	:	:	:	:	:	:
international :	:	:	:	:	:	:
organizations..... :	604,000:	16:	612,000:	16:	+167,000(2):	779,000: 16:
Total, International :	:	:	:	:	:	:
Scientific and :	:	:	:	:	:	:
Technical Cooperation: :	3,527,000:	57:	3,563,000:	56:	+145,000	3,698,000: 54:
	:	:	:	:	:	:

2. International Agri-	:	:	:	:	:	:	:	:
cultural Development::	:	:	:	:	:	:	:	:
a. Development Plan-	:	:	:	:	:	:	:	:
ning and Analysis::	300,000:	2:	300,000:	2:	+235,000(3):	535,000:	2:	:
b. Middle-Income	:	:	:	:	:	:	:	:
Country Training..:	1,492,000:	2:	1,492,000:	2:	-1,492,000(4):	--	--:	:
Total, International	:	:	:	:	:	:	:	:
Agricultural	:	:	:	:	:	:	:	:
Development.....:	1,792,000:	4:	1,792,000:	4:	-1,257,000	535,000:	2:	:
3. Operation FAST.....:	--	--:	--	--:	+750,000(5):	750,000:	5:	:
Total Available	:	:	:	:	:	:	:	:
or Estimate.....:	5,319,000:	61:	5,345,000:	60:	-362,000	4,983,000:	61:	:
Transfer from	:	:	:	:	:	:	:	:
Department of State..:	-24,000:	--:	-26,000:	--:	:	:	:	:
Total, Appropriation....:	5,295,000:	61:	5,319,000:	60:	:	:	:	:

EXPLANATION OF PROGRAM

The appropriation for the Office of International Cooperation and Development is used to develop, implement, and evaluate USDA's policies and programs for agricultural cooperation and development throughout the world.

International Scientific and Technical Cooperation

Scientific Exchanges. USDA maintains scientific and technical exchange programs with foreign governments and research institutions, as authorized by Section 1436 of the Agriculture and Food Act of 1981. These exchanges strengthen the role of science and technology in the efforts to stabilize world food supplies and to use world resources more efficiently. OICD acts on USDA's behalf to support and manage activities under bilateral exchange agreements. Under these agreements, the costs of exchanges are shared and the information exchanged is useful to the U.S. agricultural community and to foreign countries.

International Research. OICD manages the Department's international research activities in cooperation with various USDA agencies, U.S. agricultural institutions, and foreign research institutions. These collaborative research efforts yield information valuable for the protection of U.S. agriculture from foreign pests and diseases and for increasing domestic productivity. At the same time, the threat of hunger and malnutrition overseas is reduced.

Research is undertaken through a variety of binational agreements and funding mechanisms. OICD is responsible for the administration of research programs under the United States' treaty with Spain and the research supported by the U.S.-Israel Binational Agriculture Research and Development Fund. Under Section 1436 of the Agriculture and Food Act of 1981, OICD fosters participation of U.S. land-grant colleges in research abroad.

International Organizations. OICD coordinates USDA's and the U.S. Government's participation in approximately 30 international organizations concerned with food, agriculture, and rural development. OICD represents USDA in the organizations' planning, advances U.S. interests, and protects U.S. agriculture. OICD also organizes U.S. delegations to international agricultural conferences and arranges the placement of about 60 agriculturalists annually on assignments with international organizations.

International Agricultural Development

Development Planning and Analysis. OICD's activities include review and evaluation of P.L. 480 self-help and Food for Development proposals, and the coordination of the International Science and Education Council's involvement in international development. The agency's Agricultural Information Center serves as a central point of contact for inquiries from the private sector and developing countries on trade and investment opportunities in the Caribbean.

Middle-Income Country Training Program. OICD manages this program for the training of mid- and upper-level managers from countries which no longer qualify for U.S. foreign economic assistance programs. OICD's program aims to maintain contacts with officials in these countries and to nurture opportunities for trade with the U.S.

OIG Report

<u>Number</u>	<u>Date Issued</u>	<u>Description</u>
44020-1-Hy	March 1988	Foreign Development Assistance

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$22,000 for Administration of International Research (\$1,455,000 available in 1989).

Need for Change. The activity requires two fewer staff-years to operate successfully.

Nature of Change. At this funding level, the Agency plans to carry out activities at a level equivalent to that of FY 1989.

- (2) An increase of \$167,000 for International Organization Affairs (\$612,000 available in 1989) for USDA staff representation at the U.S. Mission to the U.N. Agencies for Food and Agriculture--FODAG.

Need for Change. In accordance with its role for coordinating USDA and U.S. Government participation in international organizations, OICD assumed the responsibility for staffing the Rome-based FODAG office in 1987. OICD has been providing for this office through available resources. Recent increases in personnel and support costs, however, make it impossible to continue this office without additional funds. It is advantageous for USDA to have a Rome-based office to represent USDA interests in FODAG and U.N. food agencies on a day-to-day basis. Otherwise, extensive travel of Washington-based personnel would be required to attend meetings and provide liaison between FAO and USDA, but without the continuity and effectiveness provided by the presence of an individual on a regular basis. (No funds available in 1989).

Nature of Change. The increase is for the salaries and benefits of a professional staff member in addition to office support, travel and transportation costs, and other necessary expenditures.

- (3) An increase of \$235,000 for Agribusiness Promotion (\$135,000 available in 1989).

Need for Change. The Secretary's Agribusiness Promotion Council recommends activities designed to enhance U.S. investment, trade, and marketing in the Caribbean Basin. Necessary support for the Council has been staffed through existing resources, and its missions funded on an ad hoc basis from various sources. The Council has laid the basis for a more intensive development of the Caribbean Basin and recommended a number of actions. Without staff and adequate funding, many of these recommendations cannot be acted upon in an effective and timely manner, and essential planning and implementation cannot be carried out. This increase is expressly requested by the members of the Council in order to ensure that its recommendations for the Caribbean Basin can be effectively pursued.

Nature of Change. The increase in funds will pay for the costs of trade and investment missions, regional marketing workshops, and major conferences designed to enhance U.S. investment, trade, and marketing in the region. It will also pay for the salaries and benefits of staff assigned to this activity.

- (4) A decrease of \$1,492,000 for the Middle-Income Country Training Program (\$1,492,000 available in 1989).

Need for Change. In Fiscal Year 1989, \$1,492,000 was appropriated to provide training to participants from selected middle-income countries. These funds, committed in FY 1989, are sufficient to enable present enrollees to complete their training over the two and one-half year life of the program.

Nature of Change. While funds are available for present enrollees to complete their programs, no new participants will be selected for Fiscal Year 1990.

- (5) An increase of \$750,000 for Operation FAST: Financial and Administrative Systems Tracking (no funds available in 1989).

Need for Change. New administrative controls introduced by the Agency for International Development, the increasing complexity of overseas billings and collections, and the necessity of ensuring smooth and reliable interaction with USDA's accounting systems at the National Finance Center, all require the upgrading of OICD's financial and administrative information systems.

In the face of this changing environment, in the light of recommendations from USDA's Office of Finance and Management and a management consultant brought in at their request, at the urging of USDA's Office of Inspector General, and with the full support of the Department, OICD proposes to upgrade its information resources management capacity, eliminate manual processing of documents as much as possible, integrate accounting systems with those of the National Finance Center, and decrease response time to internal and external requests for financial information.

Nature of Change. The increase is primarily for the acquisition of new software and hardware systems capable of meeting external and internal demands for timely, accurate, and usable information. Systems will be acquired through contract for demonstration and testing prior to purchase. Some of the funding will be made available to support additional staff, primarily systems and operational accountants.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1988 and Estimated 1989 and 1990

	1988		1989 Estimated		1990 Estimated	
	Amount	Staff : Years :	Amount	Staff : Years :	Amount	Staff : Years :
District of Columbia.....	\$5,319,000	61	\$5,345,000	60	\$4,983,000	61

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

The estimates include appropriation language for this item as follows (new language underscored; deleted language enclosed in brackets).

[Scientific Activities Overseas (Foreign Currency Research Program)]

[For payments in foreign currencies owed to or owned by the United States for market development research authorized by section 104 (b)(1) and for agricultural and forestry research and other functions related thereto authorized by section 104(b)(3) of the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1704 (b)(1), (3)), \$1,000,000: Provided, That this appropriation shall be available, in addition to other appropriations for these purposes, for payment in the foregoing currencies; Provided further, That funds appropriated herein shall be used for payments in such foreign currencies as the Department determines are needed and can be used most effectively to carry out the purposes of this paragraph; Provided further, That not to exceed \$25,000 of this appropriation shall be available in foreign currencies for expenses of employment pursuant to the second section of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), as amended by 5 U.S.C. 3109.]

This change deletes the appropriation language, since the 1990 budget proposes no funds for this program. Research projects already underway will continue until completed.

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

SCIENTIFIC ACTIVITIES OVERSEAS

Appropriation Act, 1989.....	\$1,000,000
Budget Estimate, 1990.....	--
Decrease in Appropriation.....	<u>-1,000,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Market Development Research.....	\$100,000	-\$100,000	--
Agricultural and Forestry Research...	<u>900,000</u>	<u>-900,000</u>	<u>--</u>
Total Available.....	<u>1,000,000</u>	<u>-1,000,000</u>	<u>--</u>

PROJECT STATEMENT
(On basis of appropriation)

	: 1988 Actual	: 1989 Estimated:	: 1990 Estimated:
Project	: Amount Staff : Years	: Amount Staff : Years	: Amount Staff : Years
1. Market Development Research.....	: \$240,000 : --	: \$100,000 : --	: -\$100,000 : --
2. Agricultural and Forestry Research....	: 1,260,000 : --	: 900,000 : --	: -900,000 : --
Total Appropriation.....	: 1,500,000 : --	: 1,000,000 : --	: -1,000,000(1) : --

The following table reflects carryover into succeeding years of actual or estimated prior year balances and shows total actual or planned obligations.

PROJECT STATEMENT
(On basis of available funds)

	: 1988 Actual	: 1989 Estimated:	: 1990 Estimated:
Project	: Amount Staff : Years	: Amount Staff : Years	: Amount Staff : Years
1. Market Development Research.....	: \$349,000 : --	: \$100,000 : --	: -\$60,000 : \$40,000 : --
2. Agricultural and Forestry Research....	: 3,137,000 : --	: 900,000 : --	: -540,000 : 360,000 : --
Total Available.....	: 3,486,000 : --	: 1,000,000 : --	: -600,000 : 400,000 : --
Unobligated balance, start of year.....	: -2,699,000 : --	: -713,000 : --	: -- : -713,000 : --
Unobligated balance, end of year.....	: 713,000 : --	: 713,000 : --	: -400,000 : 313,000 : --
Total Appropriation.....	: 1,500,000 : --	: 1,000,000 : --	: -1,000,000 : --

EXPLANATION OF PROGRAM

As authorized by P.L. 480 as amended, USDA uses foreign currencies to support research on problems of mutual interest to the United States and participating foreign countries.

Research is conducted abroad through grants negotiated with foreign institutions. Project selection is based on relevance to U.S. agricultural concerns: for example, preventing the incursion of animal diseases or insect pests into American agriculture; or developing plants that are more productive, drought tolerant, or disease resistant. The research also develops markets for American agricultural products and equipment, adds to our knowledge of the environment, and cuts the cost of valuable research.

OICD represents USDA in this activity, whose appropriation is allotted as intergovernmental fund transfers when grant awards are obligated for research in foreign countries.

JUSTIFICATION OF INCREASES AND DECREASES

(1) No appropriation in 1990 (\$1,000,000 available in 1989).

Need for Change. In recent years, the number of currencies in excess, and thus the funds available for this program, has declined. In several cases, alternative funding arrangements have been instituted--for example, the U.S.-India Fund.

Nature of Change. The program will be phased out over four to five years. Since the entire amount for project grants is obligated when the grant is awarded, existing grants will continue to be serviced until liquidated.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1988 and Estimated 1989 and 1990

	1988		1989 Estimated		1990 Estimated
	Amount	Staff : Years :	Amount	Staff : Years :	Amount
Overseas.....	\$3,486,000	--	: \$1,000,000	--	: \$400,000
					--

FOREIGN AGRICULTURAL SERVICE

Purpose Statement

The Foreign Agricultural Service was established on March 10, 1953, by Secretary's Memorandum No. 1320, Supplement 1. Public Law 690 approved August 28, 1954, transferred the agricultural attaches from the Department of State to the Foreign Agricultural Service.

The agency performs the following kinds of service functions:

It maintains a worldwide agricultural market intelligence and commodity reporting service to provide U.S. farmers and traders with information on world agricultural production and trade that they can use to adjust to changes in world demand for U.S. agricultural products. This is done through a continuous program of reporting by 75 posts located throughout the world covering some 110 countries. Reporting includes information and/or data on foreign government policies, analysis of supply and demand conditions, commercial trade relationships and market opportunities. Advanced computer and telecommunications technology is used to improve and speed the flow of information between the posts and Washington.

The Foreign Agricultural Service analyzes agricultural information essential to the assessment of foreign supply and demand conditions in order to provide estimates of the current situation and to forecast the export potential for specific U.S. agricultural commodities. Published economic data about commodities are combined with attache reports and subjected to analysis through advanced econometric techniques to generate these estimates.

In addition, the Service uses advanced techniques for identifying, delineating and assessing the impact of events which may affect the condition and expected production of foreign crops of economic importance to the United States. The crop condition activity relies heavily on computer aided analysis of satellite, meteorological, agricultural and related data.

The Service develops foreign markets for U.S. farm products through effective market expansion activities. It provides services to the U.S. and foreign agricultural trade sectors that are necessary to establish, build and maintain overseas markets for U.S. agricultural products. The Agricultural Trade Act of 1978 includes authority to establish up to 25 Agricultural Trade Offices. Currently 15 such offices are in operation at key foreign trading centers to assist U.S. exporters, trade groups and state export marketing officials in trade promotion.

The Service initiates, directs and coordinates the Department's formulation of trade policies and programs with the goal of maintaining and expanding world markets for U.S. agricultural products. It monitors international compliance with bilateral and multilateral trade agreements. It identifies restrictive tariff and trade practices which act as barriers to the import of U.S. agricultural commodities, then supports negotiations to remove them. It acts to counter and eliminate unfair trade practices of other countries that hinder U.S. agricultural exports to third markets.

Headquarters of the Service is in Washington, D.C. Work of the Service is also carried out in 75 posts around the world. As of September 30, 1988, there were 825 permanent full-time employees, 560 in headquarters and 265 in field locations abroad.

FOREIGN AGRICULTURAL SERVICE

Available Funds and Staff-Years1988 Actual and Estimated, 1989 and 1990

Item	1988		1989		1990	
	Actual	Staff-	Estimated	Staff-	Estimated	Staff-
	Amount	Years	Amount	Years	Amount	Years
Foreign Agricultural Service	\$95,055,000	714	\$98,620,000	714	\$98,620,000	704
Obligations under other USDA appropriations:						
Office of International Cooperation and Development for technical assistance to FAO Rome.....	4,606	--	--	--	--	--
Agricultural Marketing Service for Cotton Research...	18,085	--	23,000	--	23,000	--
Agri. Stabilization and Conservation Service for Landsat Data and support of export programs.....	1,911,276	--	2,200,000	--	2,200,000	--
Economic Research Service for Foreign Publication Procurement Program:	5,150	--	5,000	--	5,000	--
Departmental Administration for Advisory Committees:	133,750	--	153,000	--	153,000	--
Food Safety & Inspection Service for support in Brussels.....	8,642	1	10,000	1	10,000	1
Agricultural Stabilization and Conservation Service for technology service.....	433,917	1	604,000	1	604,000	1
Office of International Cooperation and Development for Food and Agricultural Organization Agricultural Attache support...	184,753	--	--	--	--	--
Transfer from Suspense Account..	53,150	--	--	--	--	--
Total, Other USDA Appropriations....	2,753,329	2	2,995,000	2	2,995,000	2
Total, Agriculture Appropriations....	97,808,329	716	101,615,000	716	101,615,000	706

Continued

Item	1988		1989		1990	
	Actual		Estimated		Estimated	
	Amount	Staff- Years	Amount	Staff- Years	Amount	Staff- Years
Non-Federal Funds:						
Information Cir-						
culars.....	172,625	--	162,000	--	162,000	--
User Fees for						
Attache Reports..	65,831	--	75,000	--	75,000	--
User Fees for						
AIMS Trade Leads..	44,713	--	15,000	--	15,000	--
User Fees for						
Computer Time						
and Files.....	3,538	--	4,000	--	4,000	--
Total, Non-Federal						
Funds.....	286,707	--	256,000	--	256,000	--
Total, Foreign						
Agricultural Service	\$98,095,036	716	\$101,871,000	716	\$101,871,000	706
=====						
Full-Time Equivalent	1988	1989	1990			
Staff-Years:	Actual	Estimated	Estimated			
Ceiling.....	716	716	706			
Non-ceiling.....	8	8	8			
Total.....	724	724	714			

FOREIGN AGRICULTURAL SERVICE

Permanent Positions by Grade and Staff-Year Summary

1988 and Estimated 1989 and 1990

Grade	1988			1989			1990		
	Headquarters:	Field	Total	Headquarters:	Field	Total	Headquarters:	Field	Total
ES-6	2	--	2	2	--	2	2	--	2
ES-5	1	--	1	1	--	1	1	--	1
ES-4	2	--	2	2	--	2	2	--	2
ES-3	1	--	1	1	--	1	1	--	1
GS/GM-15	23	--	23	23	--	23	23	--	23
GS/GM-14	43	--	43	43	--	43	43	--	43
GS/GM-13	53	--	53	53	--	53	53	--	53
GS-12	42	--	42	42	--	42	42	--	42
GS-11	45	--	45	45	--	45	40	--	40
GS-10	1	--	1	1	--	1	1	--	1
GS-9	45	--	45	45	--	45	40	--	40
GS-8	12	--	12	12	--	12	12	--	12
GS-7	60	--	60	60	--	60	60	--	60
GS-6	37	--	37	37	--	37	37	--	37
GS-5	16	--	16	16	--	16	16	--	16
GS-4	13	--	13	13	--	13	13	--	13
GS-3	6	--	6	6	--	6	6	--	6
GS-2	5	--	5	5	--	5	5	--	5
Other Graded Positions	43	123	166	43	123	166	43	123	166
Ungraded Positions.	4	145	149	4	145	149	4	145	149
Total Permanent Positions	454	268	722	454	268	722	444	268	712
Staff-Years:									
Ceiling	448	268	716	448	268	716	438	268	706
Non-Ceiling	8	0	8	8	0	8	8	0	8
TOTAL	456	268	724	456	268	724	446	268	714

FOREIGN AGRICULTURAL SERVICE

CLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation:			
Headquarters	\$16,446,261	\$16,509,000	\$16,256,000
Field	<u>10,951,256</u>	<u>12,066,000</u>	<u>12,135,000</u>
11 Total personnel compensation	27,397,517	28,575,000	28,391,000
12 Personnel Benefits	5,106,031	6,106,000	6,128,000
13 Benefits for former personnel	<u>425,129</u>	<u>458,000</u>	<u>458,000</u>
Total Pers. Comp. & Benefits	<u>32,928,677</u>	<u>35,139,000</u>	<u>34,977,000</u>
Other Objects:			
21 Travel	3,017,985	3,458,000	3,512,000
22 Transportation of things	1,178,102	1,203,000	1,135,000
23.2 Rental payments to others.....	5,840,014	6,379,000	6,379,000
23.3 Communications, utilities, and misc. charges.....	1,503,789	1,635,000	1,700,000
24 Printing and reproduction	870,982	828,000	1,066,000
25 Other services	46,097,397	47,134,000	47,023,000
26 Supplies and materials...	1,290,835	1,541,000	1,554,000
31 Equipment	1,377,173	1,298,000	1,269,000
42 Insurance claims and indemnities	<u>24,274</u>	<u>5,000</u>	<u>5,000</u>
Total other objects	<u>61,200,551</u>	<u>63,481,000</u>	<u>63,643,000</u>
Total direct obligations.	<u>\$94,129,228</u> =====	<u>\$98,620,000</u> =====	<u>\$98,620,000</u> =====

Position Data:

Average Salary, ES positions	\$74,950	\$77,255	\$77,255
Average Salary, FO positions	\$58,848	\$60,658	\$60,658
Average Salary, GM/GS positions	\$32,879	\$33,890	\$33,890
Average Grade, GM/GS positions	9.9	9.9	9.9

FOREIGN AGRICULTURAL SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Foreign Agricultural Service:

For necessary expenses of the Foreign Agricultural Service, including carrying out title VI of the Agricultural Act of 1954, as amended (7 U.S.C. 1761-1768), market development activities abroad, and for enabling the Secretary to coordinate and integrate activities of the Department in connection with foreign agricultural work, including not to exceed \$110,000 for representation allowances and for expenses pursuant to section 8 of the Act approved August 3, 1956 (7 U.S.C. 1766), [~~\$95,017,000~~] \$98,620,000: Provided, That this appropriation shall be available to obtain statistics and related facts on foreign production and full and complete information on methods used by other countries to move farm commodities in world trade on a competitive basis.

[Agricultural Trade Missions]

[For necessary expenses for agricultural aid and trade missions as authorized by Public Law 100-202, \$400,000.]

This change proposes deletion of the language included in the Rural Development, Agriculture, and Related Agencies Appropriations Act, 1989, making funds available for agricultural aid and trade missions as authorized by Public Law 100-202. As the trade mission requirements of Public Law 100-202 will be fulfilled by the end of fiscal year 1989, this language is no longer necessary.

FOREIGN AGRICULTURAL SERVICE

Appropriation Act, 1989	\$95,417,000
Budget Estimate, 1990	98,620,000
Increase in Appropriation	+3,203,000
	=====
Adjustments in 1989:	
Appropriation Act, 1989	\$95,417,000
Services previously financed by	
Department of State a/	+3,203,000
Adjusted base for FY 1989	98,620,000
Budget Estimate, 1990	98,620,000
Change from adjusted 1989	-0-
	=====

a/ Pursuant to Report No. 100-34 of the House Committee on Foreign Affairs, administrative support costs previously financed by the Department of State will be financed on a reimbursable basis by the agencies receiving these services. The Department of State will continue to provide these services. On a comparable basis, the cost of these services is \$2,838,000 in 1988 and \$3,203,000 in 1989.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Foreign Agricultural Affairs .	\$30,546,000	--	\$30,546,000
Foreign Market Information			
and Access	14,339,000	--	14,339,000
Foreign Market Development ...	53,735,000	--	53,735,000
Total Available	98,620,000	--	98,620,000
	=====	=====	=====

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1988 Actual		1989 Estimated		Change	1990 Estimated	
	Amount	Staff- Years	Amount	Staff- Years		Amount	Staff- Years
1. Foreign Agricultural Affairs ..	\$28,264,222	314	\$30,546,000	314	--	\$30,546,000	314
2. Foreign Market Information and Access.....	13,480,664	224	14,339,000	224	--	14,339,000	218
3. Foreign Market Development ...	52,384,342	178	53,735,000	178	--	53,735,000	174
Unobligated balance..	925,772		--		--	--	
Total available or estimate	95,055,000	716	98,620,000	716	--	98,620,000	706
Transfer from Dept. of State.....	-2,838,000	--	-3,203,000	--			
Total, Appropriation:	92,217,000	716	95,417,000	716			
	=====						

EXPLANATION OF PROGRAM

The Foreign Agricultural Service appropriation funds the activities authorized by the Agricultural Act of 1954 (P.L. 690), as amended, and the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480), as amended. The activities carried out are as follows:

FOREIGN AGRICULTURAL AFFAIRS - This program area conducts activities contributing to five major objectives. The objectives and their respective workload and achievement indices are as follows:

1. Collecting, interpreting and analyzing marketing, economic and trade information from foreign areas essential to the administration of U.S. foreign agricultural policies and programs; this information is disseminated to farmers for use in planning and marketing decisions. Counselors and attaches submit approximately 5,000 reports annually on production, marketing, economic and trade information.
2. Providing guidance and field supervision to cooperators implementing market development and related projects overseas. Annually, counselors and attaches provide over 4,000 trade leads and write more than 52,000 letters responding to inquiries regarding U.S. and host country agriculture.
3. Representing global U.S. agricultural trade policy interests, with particular emphasis on obtaining improved access for U.S. farm exports. An estimated 1,100 special trade access communications are sent each year containing direct support for the U.S. export trade.
4. Contributing mission support including guidance and assistance to agricultural development programs in less-developed friendly countries. As members of Embassy country teams, attaches and counselors provide technical guidance on U.S. agricultural developments.
5. Providing representation at international meetings, assistance to U.S. delegates attending international agricultural fora, and service to other USDA agency programs.

FOREIGN MARKET INFORMATION AND ACCESS - This activity consists of three program areas--international agricultural statistics, commodity programs, and international trade policy. These functions, their related objectives, and their respective workload and achievement indices are discussed below.

The program areas prepare and disseminate approximately 130 commodity circulars covering over 100 commodities, 52 issues of the Weekly Roundup of World Production and Trade plus 12 supplements, 12 World Agricultural Production reports, 4 issues of the Outlook for U.S. Agricultural Exports published jointly with the Economic Research Service, and make a major contribution to the USDA's 12 World Agricultural Supply and Demand Estimates reports. In addition to published documents, numerous current information reports and ad hoc analyses are prepared for internal use by the Administrator and other high level officials. These reports include the Desk Top Guide to U.S. Agricultural Trade, the country financial risk analysis for potential countries eligible for GSM credit programs, and the monthly Highlights of U.S. Agricultural Trade and daily/weekly commodity Price and Key Developments reports.

1. International Agricultural Statistics - This program area conducts activities contributing to six major objectives to support the development and expansion of foreign agricultural markets. The objectives addressed and their workload and achievement indices are as follows:

- a. Providing American farmers, traders, agribusiness leaders, and policy makers with timely estimates and forecasts of world agricultural production. This area also provides primary input to commodity program operations and prepares the monthly World Agricultural Production report. This ongoing program involves preparation of monthly estimates of major field crops, biannual estimates of horticultural and tropical crops and annual estimates of forest products and livestock production.
 - b. Providing analysts and counselors/attaches with current information on the existence, extent, and probable impact of weather-related events on foreign crop conditions.
 - c. Improving the quality and timeliness of agricultural counselor/attache reporting and exchanging of information between Washington-based analysts and overseas counselors/attaches; and substantially increasing the timeliness of information to the U.S. trade using the Global Economic Data Exchange System.
 - d. Providing American farmers, traders, agribusiness leaders, and policy makers with information on U.S. and foreign trade, economic indicators, and tariff and other restrictions affecting trade.
 - e. Monitoring and reporting on exports of selected U.S. agricultural commodities.
 - f. Providing agency-wide ADP support to enhance the overall FAS mission of expanding agricultural exports.
2. Commodity Programs - This program area conducts activities contributing to four major objectives. The objectives addressed and, where feasible, their respective workload and achievement indices are as follows:
- a. Providing American farmers, traders, and agribusiness leaders with timely and accurate information on world supply and demand of U.S. agricultural products. Data analyses of factors such as trade potential, prices, supply, consumption, and overall demand are conducted by commodity specialists. The impact these factors have upon U.S. agricultural exports and market development activities are a particular focus of the commodity programs area. These analyses are distributed on a timely basis to the U.S. agricultural community through FAS circular publications, participation in trade and business conferences and meetings, and U.S. trade organizations.
 - b. Providing U.S. Government policymakers adequate information with which to make decisions regarding U.S. and international agricultural interests. Advanced economic analyses are conducted to examine the data and produce short-term commodity forecasts, commodity status summaries and market potential assessments on a country and area basis. These data are utilized as key inputs in the decisionmaking process regarding domestic farm policies, foreign trade negotiations and agreements, and market development programs.
 - c. Fulfilling U.S. legislative requirements:
 - (1) Day-to-day administration of the Meat Import Act (P.L. 96-177) in cooperation with the U.S. Customs Service and such other special actions as are necessary.
 - (2) Import licensing for certain dairy products subject to quotas proclaimed under authority of Section 22 of the Agricultural Adjustment Act of 1935 and administration of certain aspects of non-licensed dairy quotas.
 - (3) Administration of quota cheese pricing limitations prescribed in Section 702 of the Trade Agreements Act of 1979 (P.L. 96-39).

- (4) Analysis and evaluation of the role of sugar in world trade patterns.
 - (5) Market development and commodity analysis for the Targeted Export Assistance Program prescribed in Section 1124 of the Food Security Act of 1985 (P.L. 99-198.)
 - (6) Market development and commodity analysis for the Export Enhancement Program.
- d. Providing support and services to an export expansion effort conducted in cooperation with commodity associations, State Departments of Agriculture and private exporters to the benefit of the U.S. agricultural sector. Special studies are made on a country, region, and world basis for assigned commodities to identify market opportunities, to determine the likely impact of competition from other countries, and to strategically plan promotional activities to enhance U.S. agricultural exports. Virtually every U.S. farm product entering world trade is promoted by one of the market development activities supported by commodity programs.

The information contained in these analyses is collected via a comprehensive agricultural attache reporting system, analyzed in a timely manner, and promptly reported to domestic producers, exporters, policymakers, the public and other interested users. Particular emphasis is placed on disseminating current information on foreign market situations and forecasting trends in foreign agricultural supply and demand.

Special studies are made on a country, area, foreign and world basis for assigned commodities to identify market opportunities, and determine the likely impact of competition from other commodities and countries on U.S. exports. Also, economic analyses are made covering weekly reports submitted by exporters showing their shipments to date and outstanding sales.

3. International Trade Policy - This program area conducts activities contributing to the following major objectives:

- a. Supporting bilateral and multilateral representations focused on reducing trade barriers to U.S. agricultural exports and preserving concessions obtained in trade negotiations.
- b. Initiating and supporting work activities on trade and commodity issues that arise in international fora such as GATT, OECD, UNCTAD and FAO so as to facilitate U.S. agricultural exports.
- c. Administering U.S. agricultural import policies under Section 22 and other domestic legislation in ways which will, consistent with the purposes and requirements of the statutes, minimize the effects of U.S. import restrictions upon FAS efforts to expand U.S. agricultural exports.
- d. Supporting the development of new U.S. legislation to facilitate U.S. exports or defend U.S. producers against unfair trade practices and harmful competition.
- e. Conducting analysis of the forces affecting trade in individual country markets and making such data available to interested U.S. exporters.
- f. Providing support to the United States Trade Representative (USTR) in conducting and implementing results of trade negotiations and in managing domestic complaint mechanisms.
- g. Maintaining a Technical Office to help protect U.S. rights under the Standards Code, providing information on Code benefits, and helping citizens to comment on foreign proposals for new standards-related laws.

FOREIGN MARKET DEVELOPMENT - Provides funding so that industry groups working in concert with FAS, or FAS working alone, may conduct market development activities. The major objectives and applicable achievements are as follows:

1. Enabling U.S. producers and other sectors of the U.S. economy to jointly and systematically develop and expand overseas markets. In 1954, the Foreign Agricultural Service (FAS) was authorized to begin using foreign currencies generated by the Public Law 480 programs to finance overseas market promotion activities for U.S. farm commodities. Since that time, FAS has spent about \$469 million to finance the foreign market development program, which has significantly contributed to the increase in U.S. farm exports from \$3.1 billion in fiscal year 1955 to \$35.3 billion in fiscal year 1988. The program is jointly sponsored with nonprofit private trade and producer associations in this country (U.S. cooperators) who have generated an estimated \$894 million in contributions to more than match the \$469 million contributed by FAS.

Under the auspices of FAS' long-term Foreign Market Development program, FAS is currently participating with 41 cooperators, four state organizations (covering 47 states and 3 territories) and the National Association of State Departments of Agriculture in sponsoring continuous and long-term projects. FAS also assists supporting 60 permanently staffed cooperator offices overseas which conduct promotion activities in more than 130 foreign markets.

Complementing the long-term Foreign Market Development program is the Targeted Export Assistance (TEA) program mandated by the Food Security Act of 1985. The TEA program provides promotional assistance to those U.S. agricultural commodities and products whose exports have been hurt by unfair foreign trade practices. Since the inception of the TEA program, the number of nonprofit agricultural trade associations and U.S. private firms has grown to a total of 75 program participants, of which 30 program participants are new to joint industry-government market development programs. An additional 150 U.S. private firms are also expected to participate in the TEA program during fiscal year 1989 through four regional state organizations as part of a high value export incentive program that promotes processed, brand identified products. During the first three years of the TEA program (1986-1988), \$330 million was allocated to 75 organizations to partially reimburse the costs of conducting 4,566 activities worldwide.

2. Conducting trade fairs and food exhibits to enhance the image of U.S. food products overseas by using product displays, point-of-purchase activities to draw consumer attention to quality U.S. food products, sales teams, and providing other assistance designed to link potential buyers with U.S. exporters.
3. FAS has established Agricultural Trade Offices in the major markets of South America, Europe, Africa, Asia and the Middle East, to help U.S. exporters compete by supplying up-to-the-minute information on potential customers and promotional opportunities. U.S. exporters or representatives of trade associations, export cooperatives or state departments of agriculture use these trade offices as home bases while overseas. There are currently fifteen Agricultural Trade Offices located in London, England; Hamburg, West Germany; Singapore; Seoul, Korea; Manama, Bahrain; Caracas, Venezuela; Lagos, Nigeria; Beijing and Guangzhou, the People's Republic of China; Tunis, Tunisia; Jeddah, Saudi Arabia; Algiers, Algeria; Baghdad, Iraq; Istanbul, Turkey; and Tokyo, Japan.

REVIEWS COMMENCED DURING FY 1988GAO Reviews

Code 483458	Review of U.S. Competitor Agricultural Market Development Strategies	Review of promotional strategies of other countries
Code 483469	Review of Alternative U.S. Agricultural Export Policy Options	Review of alternative policy considerations
Code 472160	Review of U.S. Economic Assistance to Central America	Review of alternative policy considerations
Code 6148	General Management Review of USDA	Department-wide review of management practices
Code 966358	Review of USDA Ethics Program	Review of USDA and agency administration of ethics program

OIG Reviews

07099-19-Hy	Market Development: Walnut Marketing Board	Review of program administration
50099-53-Hy	Foreign Grain Complaints	Review of program administration

REVIEWS COMPLETED DURING FY 1988GAO Reviews

Code 97720	Imported Meat and Livestock: Chemical Residue Detection and the Issue of Labeling	Review of USDA policies
Code 483434	International Trade: ITC's Agricultural Unfair Trade Investigations	Review of ITC program administration
Code 472116	Accountability and Control Of U.S. Assistance in Liberia	Review of assistance efforts
Code 472115	Accountability and Control Over Economic Assistance	Review of policy options
Code 472114	Accountability and Control Of U.S. Assistance in Indonesia	Review of assistance efforts
Code 472095	Food Aid: Improving Economic and Market Development Impact in African Countries	Review of policy options
Code 082156	Examination of U.S. and International Satellite Data Archiving Plans and Activities	Review of government policies
Code 483457	International Trade: FAS Management of Livestock Cooperator Program	Review of program administration
Code 462553	Overseas Support: Current U.S. Administrative Support System Is Too Complicated	Review of government-wide administrative support efforts

Code 472132	Sub-Saharan Africa: Factors Affecting Export Capabilities	Review of policy alternatives
Code 483469	Review of Alternative U.S. Agricul- tural Export Policy Options	Review of policy alternatives
Code 483455	Review of Tobacco Cooperator Foreign Market Development Activities	Review of program administration
Code 472133	Caribbean Basin Initiative: Impact on Selected Countries	Review of policy options
Code 097735	Sugar Program: Issues Relating to Imports of Sugar-Containing Products	Review of policy alternatives
Code 473466	Review of U.S.-Japan MOSS Trade Talks	Review of policy options and alternatives
Code 097733	Overview of Agricultural Import Issues	Review of policy options and alternatives
Code 483453	Review of TEA Program	Review of program administration

OIG Reviews

799-2-Hy	Assessment and Collection of User Fees in FAS	Review of agency compliance with Departmental regulations
7555-1-Hy	ADP Maintenance Agreements	Review of agency use of maintenance agreements

Foreign Agricultural Service
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 and Estimated 1989 and 1990

	<u>1988</u>		<u>1989</u>		<u>1990</u>	
	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>
District of Columbia...	\$31,613,735	454	\$34,512,000	454	\$34,512,000	444
Overseas	62,515,493	262	64,108,000	262	64,108,000	262
Total, Available or Estimate	94,129,228	716	98,620,000	716	98,620,000	706
	=====					

PASSENGER MOTOR VEHICLES

The 1990 Budget Estimates propose the purchase of one additional and nine replacement passenger motor vehicles.

The passenger motor vehicles and light trucks of the service are used exclusively by the Agricultural Officers at overseas posts. The officer travels extensively throughout the countries assigned, gathering agricultural data. Embassy motor pool vehicles are used when there are sufficient numbers to meet the needs of the entire embassy. At many posts, however, the motor pools are not large enough which necessitates this request.

Additional Passenger Motor Vehicle. One additional passenger motor vehicle will replace a light truck-type vehicle which will no longer be required due to high operating costs and improved road conditions.

Replacement of Passenger Motor Vehicles. Replacement of nine passenger motor vehicles is proposed. All vehicles proposed for replacement will meet the replacement standards.

Age and mileage data for passenger motor vehicles on hand as of September 30, 1988, are as follows:

<u>Age-Year Model</u>	<u>Age Data</u>		<u>Mileage Data</u>		
	<u>Number of Vehicles</u>	<u>Percent of Total</u>	<u>Lifetime Mileage</u>	<u>Number of Vehicles</u>	<u>Percent of Total</u>
1979-9	1	3.2	100-120	1	3.2
1980-8	0	0.0	80-100	0	0.0
1981-7	0	0.0	60-80	1	3.2
1982-6	2	6.5	40-60	2	6.5
1983-5	1	3.2	20-40	11	35.5
1984-4	7	22.6	UNDER 20	16	51.6
1985-3	7	22.6	TOTAL	31	100.0
1986-2	5	16.1			
1987-1	4	12.9			
1988	4	12.9			
TOTAL	31	100.0			

PUBLIC LAW 480

Purpose Statement

Facilities and funds of the Commodity Credit Corporation are, by law, used in carrying out programs for exporting agricultural commodities. The law also authorizes appropriations to be made to cover costs of such programs. When funds become available, advances are made to the Corporation for estimated costs. If the amounts appropriated are greater than actual costs, the excess is used to reduce future appropriation requests.

The following activities are currently being carried out under the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, 83rd Congress, as amended:

1. Financing the sale of agricultural commodities for convertible foreign currencies and for dollars on credit terms; for convertible foreign currency for use under Sec. 108 of the Act; and furnishing commodities to carry out the Food for Progress Act of 1985 (Titles I and III) (7 U.S.C. 1701-1715, 1727-1727f). Title I of the legislation authorizes financing of sales for convertible foreign currencies and for dollars on credit terms, including commodities exported under Title III Food for Development Programs. Sales for dollars or convertible foreign currencies may be made with foreign governments. The legislation provides for credit terms that are as favorable to the United States as the economy of the foreign country will permit, but not less than the terms for development loans made under sections 122(a) and 122(b) of the Foreign Assistance Act of 1961, as amended.

Title I sales may also be financed for foreign currencies to be loaned to financial intermediaries in the recipient countries. These funds are reloaned by the financial intermediaries to promote private enterprise institutions. Loans repaid by the financial intermediaries may be reloaned for private enterprise investment, used to develop new markets, pay U.S. obligations, or be converted to U.S. dollars.

Title I appropriated funds may also be used under the Food for Progress Act to furnish commodities on credit terms or on a grant basis to assist countries that have a commitment to introduce and expand free enterprise elements in their agricultural economies.

2. Commodities supplied in connection with dispositions abroad (Title II) (7 U.S.C. 1721-1726). Commodities are supplied without cost to developing countries to combat malnutrition, and to meet famine and other emergency requirements. The Corporation pays ocean freight on shipments under this title and may also pay overland transportation costs to a landlocked country, as well as internal distribution costs in emergency situations. Each year, up to \$7.5 million of foreign currencies accruing under Title I may be purchased from this appropriation to meet costs of self-help activities (other than personnel and administrative) of cooperating groups.

Available Funds, 1988 Actual and Estimated 1989 and 1990

Item	1988 Actual	1989 Estimated	1990 Estimated
Foreign Assistance Programs (P.L. 480):			
Financing the sale of agricultural commodities for convertible foreign currencies and for dollars on credit terms, and furnishing commodities to carry out the Food for Progress Act of 1985 (Titles I and III).....	\$806,744,066	\$851,900,000	\$817,000,000
Commodities supplied in connection with dispositions abroad (Title II).....	534,917,126	630,000,000	665,000,000
Total program costs funded.....	1,341,661,192	1,481,900,000	1,482,000,000
Costs financed from receipts, prior year balances and CCC funds (net).	-282,065,192	-383,800,000	-551,055,000
Total appropriation (P.L. 480).....	\$1,059,596,000	\$1,098,100,000	\$930,945,000

NOTE: The fiscal year 1988 appropriation was adjusted to reflect net transfers of \$85.2 million in both program level and appropriation from Titles I and III to Title II, under the authority of the language proviso in the 1988 Appropriations Act.

Obligations incurred in a fiscal year under Public Law 480 consist of Title I sales registrations (based on anticipated export date by September 30) and Title II commodity purchases for which a notice to deliver has been issued for port delivery by September 30, and related transportation and other costs. In order to obtain the amount of costs financed by CCC in the fiscal year, these obligations, which are equivalent to the program level limitation in the appropriation language, are adjusted to include prior year obligations financed in the current fiscal year, and to exclude current year obligations that will not be financed until the following fiscal year. By law, P.L. 480 funds remain available until expended, unless otherwise provided.

The following table reconciles the program level to program costs financed by CCC:

Reconciliation of Program Level to Program Costs Funded by CCC

Item	1988 Actual	1989 Estimated	1990 Estimated
<u>Titles I/III</u>			
Gross commodity costs.....	\$715,777,460	\$807,000,000	\$762,500,000
Ocean transportation.....	10,400,000	---	---
Ocean freight differential.....	56,713,130	61,000,000	70,000,000
Subtotal.....	782,890,590	868,000,000	832,500,000
Initial payments to exporters.....	-19,268,851	-16,100,000	-15,500,000
Total program level, current year	763,621,739	851,900,000	817,000,000
Prior year obligations adjusted.....	43,246,278	---	---
Prior year obligations financed.....	210,972,193	211,096,144	211,096,144
Obligations financed in succeeding year.....	-211,096,144	-211,096,144	-211,096,144
Total program costs, funded.....	806,744,066	851,900,000	817,000,000
<u>Title II</u>			
Commodity costs.....	\$458,300,000	\$450,000,000	\$425,122,000
Ocean and inland transportation.....	256,900,000	180,000,000	239,878,000
Total program level, current year.....	715,200,000	630,000,000	665,000,000
Prior year obligations financed.....	446,329,000	626,612,000	626,612,000
Obligations financed in succeeding year.....	-626,612,000	-626,612,000	-626,612,000
Total program costs, funded...	\$534,917,000	\$630,000,000	\$665,000,000

PUBLIC LAW 480

These estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Public Law 480 (Including Transfers of Funds):

For expenses during the current fiscal year, not otherwise recoverable, and unrecovered prior years' costs, including interest thereon, under the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1691, 1701-1715, 1721-1726, 1727-1727f, 1731-1736g), as follows: (1) financing the sale of agricultural commodities for convertible foreign currencies and for dollars on credit terms pursuant to titles I and III of said Act, or for convertible foreign currency for use under 7 U.S.C. 1708, and for furnishing commodities to carry out the Food for Progress Act of 1985, not more than [~~\$851,900,000~~] \$817,000,000, of which [~~\$468,100,000~~] \$265,945,000 is hereby appropriated and the balance derived from proceeds from sales of foreign currencies and dollar loan repayments, repayments on long-term credit sales, carryover balances and commodities made available from the inventories of the Commodity Credit Corporation by the Secretary of Agriculture pursuant to sections 102 and 403(b) of said Act, and (2) commodities supplied in connection with dispositions abroad, pursuant to title II of said Act, not more than [~~\$630,000,000~~] \$665,000,000, of which [~~\$630,000,000~~] \$665,000,000 is hereby appropriated: Provided, That not to exceed [~~10~~] 15 per centum of the funds made available to carry out any title of this paragraph may be used to carry out any other title of this paragraph.

The change in language would allow the percentage of funds which may be transferred between titles to be 15 percent to permit more flexibility in responding to the needs of importing countries. This change would also make the P.L. 480 appropriations authority consistent with the 15 percent transfer provision currently authorized by Section 403(c) of the Agricultural Trade Development and Assistance Act of 1954. A 15 percent transfer provision was provided in the fiscal year 1987 Appropriations Act.

PUBLIC LAW 480

(Titles I and III)
Financing the Sale
of Agricultural
Commodities for
Convertible For-
eign Currencies
and for Dollars
on Credit Terms,
and Furnishing
Commodities for
Food for Progress

(Title II)
Commodities
Supplied in
Connection
with Disposi-
tions Abroad

Total

Appropriation Act, 1989....	\$468,100,000	\$630,000,000	\$1,098,100,000
Budget Estimate, 1990.....	<u>265,945,000</u>	<u>665,000,000</u>	<u>930,945,000</u>
Decrease in Appropriation..	<u>-202,155,000</u>	<u>+35,000,000</u>	<u>-167,155,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Financing the sale of agricultural commodities for convertible foreign currencies and for dollars on credit terms, and furnishing commodities for Food for Progress (Titles I and III).....	\$468,100,000	-\$202,155,000	\$265,945,000
Commodities supplied in connection with dispositions abroad (Title II)..	<u>630,000,000</u>	<u>+35,000,000</u>	<u>665,000,000</u>
TOTAL AVAILABLE.....	<u>1,098,100,000</u>	<u>-167,155,000</u>	<u>930,945,000</u>

PROJECT STATEMENT
(On basis of appropriation)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Increase or Decrease</u>	<u>1990 Estimated</u>
1. Financing the sale of agricultural commodities for convertible foreign currencies and for dollars on credit terms, and furnishing commodities for Food for Progress (Titles I and III).....	\$344,396,000	\$468,100,000	(1) -\$202,155,000	\$265,945,000
2. Commodities supplied in connection with dispositions abroad (Title II)..	<u>715,200,000</u>	<u>630,000,000</u>	(2) <u>+35,000,000</u>	<u>665,000,000</u>
Total appropriation.....	<u>1,059,596,000</u>	<u>1,098,100,000</u>	<u>-167,155,000</u>	<u>930,945,000</u>

PROJECT STATEMENT
(On basis of available funds)

Project	1988 Actual	1989 Estimated	Increase or Decrease	1990 Estimated
1. Financing the sale of agricultural commodities for convertible foreign currencies and for dollars on credit terms, and furnishing commodities for Food for Progress (Titles I and III).....	\$806,744,066	\$851,900,000	-\$34,900,000	\$817,000,000
2. Commodities supplied in connection with dispositions abroad (Title II).	534,917,126	630,000,000	+35,000,000	665,000,000
Total program costs funded..	1,341,661,192	1,481,900,000	+100,000	1,482,000,000
Adjustments to appropriation:				
Title I:				
Receipts from sale of foreign currencies and loan repayments and repayments on long-term credit sales to finance the program....	-568,091,021	-332,000,000	-12,000,000	-344,000,000
Unexpended balances (includes balances in the Corporation):				
Funds brought forward	-364,209,095	-469,952,050	+51,800,000	-418,152,050
Funds carried forward	469,952,050	418,152,050	-207,055,000	211,097,050
Title II:				
Funds brought forward....	-414,732,363	-595,015,237	---	-595,015,237
Funds carried forward....	595,015,237	595,015,237	---	595,015,237
Total appropriation.....	1,059,596,000	1,098,100,000	-167,155,000	930,945,000

The preceding project statement reflects estimated program costs on the basis of available funds, including 1987 obligations financed in fiscal year 1988 from available unexpended 1987 balances and 1988 funds. The rate at which expenditures and obligations are made under these programs is influenced by crop conditions, commodity availability, economic conditions in receiving countries, availability of shipping, port facilities, and similar factors.

The amounts provided in the appropriation for Title II are not fully controlling since the basic law permits the Government to enter into multiyear programs of assistance involving expenditures which must be financed from subsequent appropriations. However, such programs may not exceed the program level authorized in appropriation acts, adjusted for transfers to or from Titles I/III, within amounts specified by the Proviso in the appropriation language. If funds appropriated are in excess of amounts actually used in an actual year, adjusted for any applicable transfers, such amounts are applied against current year estimated costs and reduce the subsequent appropriations requested for the budget year.

EXPLANATION OF PROGRAM

Under Public Law 480, as amended, exports of available agricultural commodities are made to developing countries. Factors determining commodity availability are productive capacity, domestic requirements, farm and consumer price levels, anticipated commercial exports, and adequate carryover. No commodity is available for disposition if it would reduce the domestic supply below that which is needed to meet domestic requirements, adequate carryover, and anticipated exports for dollars, unless the Secretary determines that some part of the supply should be used for urgent humanitarian purposes. No commodities may be made available except upon determination that adequate storage facilities are available in the recipient country at the time of exportation to prevent spoilage or waste and that the distribution will not be a substantial disincentive to the recipient country's domestic production. In carrying out this program, emphasis is placed on assistance to those countries that are determined to help themselves by improving their agricultural production and economic development.

The authorization for agreements to finance sales and programs of assistance under Public Law 480 was extended through December 31, 1990, by Public Law 99-198, enacted December 23, 1985.

TITLE I

The P.L. 480 appropriation is deposited with the Commodity Credit Corporation. The Corporation then finances all sales made pursuant to agreements concluded under Title I. Sales are made to friendly countries--as defined in section 103(b) of the Act--and do not displace expected commercial sales for cash dollars (sections 103(c) and (n)). No agreements may be made with the government of any country which engages in a consistent pattern of gross violations of internationally recognized human rights or other flagrant denial of the right to life, liberty, and personal security unless the use of the commodities themselves or proceeds from their sale will be used for specific projects or programs which the President determines would directly benefit the needy people of that country.

Agreements may not be made under Title I (including credit furnished for Food for Development Programs) in any calendar year which call for an appropriation to reimburse the Corporation in excess of \$1.9 billion, plus unused prior years' authorizations.

In considering sales negotiations, countries which are unable to produce or purchase commercially adequate food for immediate needs, and which meet the poverty criterion established for International Development Association financing are to receive not less than 75 percent of the food aid commodities allocated and agreed to be delivered in each fiscal year unless the President certifies that such food assistance to other countries is required for humanitarian purposes or the required 75 percent allocation could not be used effectively.

Agreements for sales of agricultural commodities for foreign or local currencies had not been authorized since December 31, 1971, until enactment of the Food Security Act of 1985. In cases where dollar credit sales are not possible, convertible foreign currency credit sales are authorized on terms which permit conversion to dollars at the exchange rate applicable to the sales agreement.

In order to stimulate and increase sales for dollars through credit, this title provides for sales of U.S. farm products under long-term credit arrangements. The purpose is to expand international trade, develop and expand export markets, support U.S. foreign policy interests, and encourage economic development in the developing countries. Agreements are made with the governments of friendly nations.

The Corporation also finances the costs of ocean transportation to ports of entry, or to points of entry other than ports in the case of landlocked countries, or when the use of a point of entry other than port would result in substantial savings in costs or time. The Corporation may also pay transportation costs from designated ports of entry or points of entry abroad to storage and distribution sites, and associated storage and distribution costs for commodities, including prepositioned commodities, made available to meet urgent or extraordinary relief requirements.

Local distribution is usually made by nonprofit voluntary agencies, including foreign voluntary agencies when no United States agency is available, as well as by local governments. To the extent feasible, distribution priority is to be given to those suffering from malnutrition.

Assistance is directed toward activities designed to alleviate the causes of the need for such aid. Beginning in 1986, programs of assistance shall not be undertaken under this title during any fiscal year which call for an appropriation to reimburse the Corporation in excess of \$1 billion plus the unused prior year's authorization.

FOOD SECURITY WHEAT RESERVE

The Food Security Wheat Reserve was established under authority of the Food Security Wheat Reserve Act of 1980 (P.L. 96-494). The Act authorizes a reserve of up to four million metric tons of wheat which can be made available for programming through P.L. 480 to provide emergency humanitarian food assistance to developing countries.

Wheat from the reserve can be released by the President under the following two conditions. First, up to four million metric tons of the reserve can be made available for P.L. 480 programming any time the U.S. domestic supply of wheat is so limited that quantities of wheat cannot be made available for P.L. 480 under the availability criteria set forth in Section 401(a) of the Agricultural Trade Development and Assistance Act of 1954. Second, up to 300,000 metric tons of wheat may be released from the reserve in any fiscal year for use under Title II to provide urgent humanitarian relief in any developing country suffering a major disaster, and when the normal means of obtaining commodities for food assistance make timely programming impossible. Reimbursement to the Corporation for wheat released from the reserve is to be made from funds made available to P.L. 480 at the lower of the actual costs incurred by the Corporation or the export market price of wheat, as determined by the Secretary, at the time of export.

On October 26, 1988, the President authorized the release of up to 1.5 million metric tons of wheat from the reserve for use in P.L. 480 programs during fiscal year 1989. This release was prompted by the reduced domestic supply of wheat; the wheat will be used in the Titles I/III and the Title II programs.

Proceeds from the sale of Title III commodities are to be disbursed for such purposes as approved in the agreement with each country and the disbursements shall be considered as payments for the purposes of sec. 103(b) of this Act. When commodities are used in development projects, the dollar sales value of such commodities shall be deemed to be a disbursement at the time of use. No other payment shall be required as part of any agreement to finance the sale of agricultural commodities under a Food for Development Program. Construction of food grain storage facilities, expansion of private bank credit in rural areas and developing farm irrigation systems are among the projects undertaken with the Title III proceeds.

For the fiscal years 1979 through 1987, the total value of Title III agreements signed with Bangladesh, Bolivia, Egypt, Honduras, Senegal, and Sudan was approximately \$1,071.3 million. In fiscal 1988 new agreements or amendments to existing multi-year agreements with an export value of \$80.0 million were signed with Bangladesh and Bolivia.

In fiscal year 1988, the second year of a three year agreement, Bangladesh continued to implement several major reforms to enhance food consumption and nutrition, increase agricultural production, increase employment and improve food distribution and management. The \$60.0 million in fiscal year 1988 assistance included 200,000 metric tons of wheat, 63,000 metric tons of rice, 19,000 metric tons of vegetable oil products and 30,000 bales of upland cotton.

Bolivia signed a second amendment to an on-going Title III Food for Development Program in fiscal year 1988, bringing the three year total financing under that agreement to \$60.0 million. Title III projects currently underway include loan making to small farmers for livestock production and marketing credit, strengthening producer organizations, constructing houses for flood victims and controlling communicable diseases. Bolivia has been allocated an additional \$17.0 million to import U.S. wheat under Title III during fiscal year 1989.

TITLE II

Under Title II, as amended, commodities are supplied to developing countries to combat malnutrition, to meet famine or other urgent relief requirements, provide assistance for needy persons and nonprofit school lunch and preschool feeding programs outside the United States, and carry out the United States' commitment to the World Food Program. Beginning January 1, 1967, the Food for Peace Act of 1966 authorized financing the costs of CCC commodities disposed of through voluntary agencies from this appropriation.

The authorizing legislation requires that a minimum of 1.9 million metric tons (grain equivalent basis) of agricultural commodities be programmed each fiscal year from 1987 through 1990 under Title II. Of that amount, 1.425 million metric tons (grain equivalent basis) are to be distributed for nonemergency programs through voluntary agencies and the World Food Program, unless the President determines and reports to the Congress that such an amount cannot be used effectively or that the quantity is not available.

Commodities requested may be furnished from the Corporation's inventory acquired under price support programs or purchased from private stocks. Commodities furnished from the Corporation's inventory which are acquired under a domestic price support program are valued at a price not greater than the export market price at the time of delivery for purposes of determining the reimbursement due the Corporation.

The Corporation also finances the costs of ocean transportation to ports of entry, or to points of entry other than ports in the case of landlocked countries, or when the use of a point of entry other than port would result in substantial savings in costs or time. The Corporation may also pay transportation costs from designated ports of entry or points of entry abroad to storage and distribution sites, and associated storage and distribution costs for commodities, including prepositioned commodities, made available to meet urgent or extraordinary relief requirements.

Local distribution is usually made by nonprofit voluntary agencies, including foreign voluntary agencies when no United States agency is available, as well as by local governments. To the extent feasible, distribution priority is to be given to those suffering from malnutrition.

Assistance is directed toward activities designed to alleviate the causes of the need for such aid. Beginning in 1986, programs of assistance shall not be undertaken under this title during any fiscal year which call for an appropriation to reimburse the Corporation in excess of \$1 billion plus the unused prior year's authorization.

FOOD SECURITY WHEAT RESERVE

The Food Security Wheat Reserve was established under authority of the Food Security Wheat Reserve Act of 1980 (P.L. 96-494). The Act authorizes a reserve of up to four million metric tons of wheat which can be made available for programming through P.L. 480 to provide emergency humanitarian food assistance to developing countries.

Wheat from the reserve can be released by the President under the following two conditions. First, up to four million metric tons of the reserve can be made available for P.L. 480 programming any time the U.S. domestic supply of wheat is so limited that quantities of wheat cannot be made available for P.L. 480 under the availability criteria set forth in Section 401(a) of the Agricultural Trade Development and Assistance Act of 1954. Second, up to 300,000 metric tons of wheat may be released from the reserve in any fiscal year for use under Title II to provide urgent humanitarian relief in any developing country suffering a major disaster, and when the normal means of obtaining commodities for food assistance make timely programming impossible. Reimbursement to the Corporation for wheat released from the reserve is to be made from funds made available to P.L. 480 at the lower of the actual costs incurred by the Corporation or the export market price of wheat, as determined by the Secretary, at the time of export.

On October 26, 1988, the President authorized the release of up to 1.5 million metric tons of wheat from the reserve for use in P.L. 480 programs during fiscal year 1989. This release was prompted by the reduced domestic supply of wheat; the wheat will be used in the Titles I/III and the Title II programs.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$202,155,000 for financing the sale of agricultural commodities for convertible foreign currencies and for dollars on credit terms, and furnishing commodities under the Food for Progress Act of 1985 (Titles I and III).

ITEM	1988 Actual	1989 Estimated	Increase or Decrease	1990 Estimated
Program:				
Expenses of shipments:				
Commodity costs:				
Foreign currency.....	\$41,429,539	\$18,700,000	+\$1,200,000	\$19,900,000
Long-term credit.....	705,173,920	772,200,000	-45,100,000	727,100,000
Total Commodity costs	746,603,459	790,900,000	(a) -43,900,000	747,000,000
Ocean transportation (long-term credit)....	15,457,043	---	---	---
Ocean freight differen- tial (support of U.S. Merchant Marine:				
Foreign currency....	4,427,052	2,100,000	-400,000	1,700,000
Long term credit....	40,256,512	58,900,000	+9,400,000	68,300,000
Total ocean freight differential.....	44,683,564	61,000,000	(b) +9,000,000	70,000,000
Total foreign currency..	45,856,591	20,800,000	+800,000	21,600,000
Total long-term credit..	760,887,475	831,100,000	-35,700,000	795,400,000
Total expenses of shipments.....	806,744,066	851,900,000	-34,900,000	817,000,000
Financing:				
Receipts from:				
Sales of foreign currency.....	-130,256,303	---	---	---
Repayments on long-term credit.....	-437,834,718	-332,000,000	-12,000,000	-344,000,000
Subtotal.....	-568,091,021	-332,000,000	-12,000,000	-344,000,000
1987 funds used for 1988 costs.....	-364,209,095	---	---	---
1988 funds used for 1989 costs.....	469,952,050	-469,952,050	+469,952,050	---
1989 funds used for 1990 costs.....	---	418,152,050	-836,304,100	-418,152,050
1990 funds used for 1991 costs.....	---	---	+211,097,050	211,097,050
Net financing.....	-462,348,066	-383,800,000	(c) -167,255,000	-551,055,000
Total available or estimate.....	344,396,000	468,100,000	-202,155,000	265,945,000

- (a) A decrease of \$43,900,000 in commodity costs (\$790,900,000 available in 1989). The decrease mainly reflects lower commodity unit prices in anticipation of a return to normal levels of U.S. production following the 1988 drought.

- (b) An increase of \$9,000,000 in ocean transportation financing and ocean freight differential (\$61,000,000 available in 1989). This increase reflects higher metric tonnage shipments.
- (c) A decrease of \$167,255,000 in net financing due to the application of prior year funds and receipts to program costs (\$383,800,000 available in 1989). This decrease reflects the greater application of prior year funds in fiscal year 1990 versus fiscal year 1989 to reduce net financing costs for Title I. In fiscal year 1989, \$51.8 million of unobligated fiscal year 1987 funds were available to reduce the fiscal year 1989 appropriation request for Title I, as compared to \$207.1 million of unobligated fiscal year 1988 funds available to reduce the fiscal year 1990 appropriation request. The difference of \$155.3 million represents a decrease in net financing costs. Slightly higher projected long term credit repayments in fiscal year 1990 also contributed to the decrease.

Program costs consist of the export value of commodities shipped, authorized ocean freight differential costs for shipments made in U.S.-flag vessels, and authorized ocean freight financing expenses.

Following is a breakdown of expenses of shipments by commodity for the fiscal years 1988, 1989, and 1990. (NOTE--Credits (-) shown for initial payments to exporters are authorized by Sec. 103(k) of Title I. These initial payments are made directly to the exporters by the importers. The Corporation does not receive these payments.):

Public Law 480, Titles I and III
Expenses of shipments--Sales for foreign currencies and for dollars on credit terms, 1988-1990:

Commodity	Unit of Measure	1988 Actual		1989 Estimate		1990 Estimate	
		Quantity	Value	Quantity	Value	Quantity	Value
Feed grains:							
Corn.....	bushel	11,955,471	\$26,139,537	3,821,656	\$12,000,000	5,857,741	\$14,000,000
Wheat and products.....	bu. eq.	125,271,608	416,292,514	96,052,984	421,500,000	91,405,160	391,000,000
Rice, milled.....	cwt.	7,482,262	85,711,821	5,687,545	79,000,000	4,676,806	61,500,000
Cotton, upland.....	bale	40,544	14,192,459	35,948	11,000,000	28,358	9,500,000
Vegetable oil products.....	pound	925,234,100	190,021,089	549,012,816	158,500,000	660,964,230	170,000,000
Tallow.....	pound	63,384,242	11,511,307	68,343,357	12,500,000	61,383,929	11,000,000
Soybeans.....	bushel	25,313,110	2,734,732	---	---	---	---
Unallocated reserve a/.....	Met.Ton	xx	---	416,000	112,500,000	676,000	105,500,000
Initial payment to exporters	xxx	xx	---	xx	-16,100,000	xx	-15,500,000
Total commodity costs.....	xxx	xx	746,603,459	xx	790,900,000	xx	747,000,000
Ocean transportation.....	Met.Ton	b/ 2,544,244	60,140,607	c/ 1,793,847	61,000,000	d/ 1,890,814	70,000,000
Total expenses of shipment..	xxx	xx	806,744,066	xx	851,900,000	xx	817,000,000

- a/ The unallocated reserves for fiscal years 1989 and 1990 will be allocated in accordance with the Foreign Assistance Act of 1961, as amended, and the Agricultural Trade Development and Assistance Act of 1954, as amended, including Section 401 of that Act.
- b/ Based on 50.0 percent of tonnage on U.S.-flag vessels at average rate. Includes \$15,457,043 for ocean transportation financing.
- c/ Based on 50.0 percent of tonnage on U.S.-flag vessels at average rate.
- d/ Based on 50.0 percent of tonnage on U.S.-flag vessels at average rate.

The following table shows account receivable activity for amounts billed, repayments, and amounts owed by foreign governments and private trade entities for Title I long-term credit sales, including the Title III, Food for Development Program, for fiscal years 1988, 1989, and 1990:

	1988 Actual	1989 Estimated	1990 Estimated
Balance outstanding, start of year:			
Principal.....	\$11,219,301,492	\$11,632,252,061	\$12,214,245,061
Interest.....	340,903,238	352,321,662	363,953,662
Total.....	11,560,204,730	11,984,573,723	12,578,198,723
Amounts billed during year:			
Principal.....	915,800,401	790,900,000	747,000,000
Interest.....	310,727,683	322,213,000	338,335,000
Total.....	1,226,528,084	1,113,113,000	1,085,335,000
Repayments:			
Principal.....	-502,849,832	-208,907,000	-198,090,000
Interest.....	-299,309,259	-310,581,000	-326,120,000
Total.....	-802,159,091	-519,488,000	-524,210,000
Balance outstanding, end of year:			
Principal.....	11,632,252,061	12,214,245,061	12,763,155,061
Interest.....	352,321,662	363,953,662	376,168,662
Total.....	11,984,573,723	12,578,198,723	13,139,323,723

(2) An increase of \$35,000,000 in amounts for financing commodities supplied in connection with dispositions abroad (Title II).

	1988 1/ Actual	1989 Estimated	Increase or Decrease	1990 Estimated
Program:				
Expenses of shipments:			(a)	
Commodity costs.....	\$303,779,040	\$450,000,000	-\$24,878,000	\$425,122,000
Ocean transportation and inland distribution costs.....	231,138,086	180,000,000	+59,878,000	239,878,000
Total expenses of shipments.....	534,917,126	630,000,000	+35,000,000	665,000,000
Purchase of foreign currencies for use in self help activities.....	---	---	---	---
Total expenses of shipments.....	534,917,126	630,000,000	+35,000,000	665,000,000
Financing:				
1987 funds used for 1988 costs.....	-414,732,363	---	---	---
1988 funds used for 1989 costs.....	595,015,237	-595,015,237	+595,015,237	---
1989 funds used for 1990 costs.....	---	595,015,237	-1,190,030,474	-595,015,237
1990 funds used for 1991 costs.....	---	---	+595,015,237	595,015,237
Net financing.....	180,282,874	---	---	---
Total available or estimate	715,200,000	630,000,000	+35,000,000	665,000,000

1/ Reflects net transfers of \$85.2 million in program level and appropriation from Titles I/III to Title II under authority provided in the FY 1988 Continuing Resolution.

(a) A decrease of \$24,878,000 in commodity costs (\$450,000,000 available in 1989). Although overall commodity shipments are projected to be higher, this decrease reflects the expectation that commodity unit prices will return to their pre-drought rates.

(b) An increase of \$59,878,000 in ocean transportation and inland distribution (\$180,000,000 available in 1989). This increase is due to anticipated somewhat higher metric tonnage shipments at higher rates.

Costs financed include payment to the Corporation for its investment in commodities made available, including acquisition costs, storage, processing and packaging, inland transportation, and handling charges. Commodities supplied from the Corporation's inventory, if acquired under a price support program, are valued at a price not greater than the export market price at the time of delivery. Costs of ocean transportation are paid from U.S. ports to designated ports of entry abroad, or designated points of entry in landlocked countries, as well as any foreign currencies purchased for use in self-help activities.

The following table shows estimated expenses of shipments of commodity for fiscal years 1988, 1989, and 1990:

Public Law 480, Title II
Expenses of shipments-- Commodities supplied in connection with dispositions abroad, 1988-1990:

Commodity	Unit of Measure	1988 Actual		1989 Estimate		1990 Estimate	
		Quantity	Value	Quantity	Value	Quantity	Value
Feed grains:							
Corn.....	bushel	4,336,013	\$9,680,414	3,576,821	\$11,257,000	9,718,286	\$25,252,000
Corn products.....	pound	103,845,331	7,111,865	341,699,000	32,600,000	135,759,000	14,241,000
Grain sorghum.....	bushel	1,583,274	3,636,540	3,903,696	11,302,000	3,309,196	7,950,000
Sorghum products.....	pound	25,584,089	2,114,382	31,529,000	2,702,000	136,107,000	9,650,000
Oat products.....	pound	12,291,350	2,330,229	---	---	---	---
Total feed grains.....	xxx	xx	24,873,430	xx	57,861,000	xx	57,093,000
Wheat.....	bushel	29,607,698	93,403,533	18,208,600	83,796,000	17,421,900	74,949,000
Wheat flour.....	pound	220,937,402	18,959,630	289,537,000	37,553,000	208,391,000	25,507,000
Bulgur.....	pound	265,374,753	21,553,016	435,223,000	35,121,000	485,422,000	45,360,000
Other wheat products.....	pound	---	-535	---	---	---	---
Total wheat and products..	bu.equ.	39,385,678	133,915,644	32,629,930	156,470,000	30,966,068	145,816,000
Rice, milled.....	cwt.	1,695,282	15,578,705	3,146,770	41,380,000	2,699,470	35,498,000
Beans, dry edible.....	cwt.	720,878	14,111,654	388,720	10,581,000	480,300	11,436,000
Blended food products.....	pound	292,323,799	35,161,104	425,574,000	76,277,000	456,446,000	70,911,000
Peas, dry whole.....	pound	14,090,447	2,158,362	31,279,000	2,837,000	11,246,000	1,020,000
Raisins.....	pound	---	---	---	---	---	---
Butter.....	pound	1,543,459	77,913	---	---	---	---
Butter oil.....	pound	551,166	37,018	---	---	---	---
Cheese.....	pound	2,425,172	121,100	---	---	---	---
Milk, nonfat dry.....	pound	229,180,807	11,405,826	---	---	---	---
Total dairy products.....	pound	233,700,604	11,641,857	---	---	---	---
Vegetable oil products.....	pound	243,828,251	66,342,234	249,347,000	98,966,000	262,777,000	96,886,000
Lentils.....	pound	---	-3,950	29,191,000	5,628,000	43,166,000	6,462,000
Total commodity costs....	xxx	xxx	303,779,040	xxx	450,000,000	xxx	425,122,000
Ocean transportation.....	met.ton	1,706,220	231,138,086	1,678,000	180,000,000	1,738,000	239,878,000
Total expenses of shipment..	xxx	xxx	534,917,126	xxx	630,000,000	xxx	665,000,000

Note: Metric tonnage shown is based on the pounds of products on which freight is actually paid, not on bushel equivalent of grain.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Purpose Statement

The Agricultural Stabilization and Conservation Service (ASCS) was established by the Secretary of Agriculture on June 5, 1961, under the authority of Reorganization Plan No. 2 of 1953, in accordance with the Reorganization Act of 1949, as amended (5 U.S.C. 901-913). The warehouse examination function was transferred from the Agricultural Marketing Service to ASCS under Secretary's Memorandum 1020-15, effective May 13, 1984. The U.S. Warehouse Act (7 U.S.C. 241-273) is the legislative authority for this program. The Food Security Act of 1985, enacted on December 23, 1985, provided for changes to several existing programs and required the implementation of many new programs, primarily those operated through the Commodity Credit Corporation. The Disaster Assistance Act of 1988, enacted on August 11, 1988, provided for disaster assistance to eligible producers who experienced in 1988 livestock or crop losses due to drought, hail, or excessive moisture.

The ASCS conducts its programs in the field through a number of offices. Agricultural Stabilization and Conservation State and county committees are responsible for local administration of a variety of programs dealing directly with the farmer. Through the farmer-elected ASC county committees, ASCS also obtains recommendations and advice in the formulation of program plans and policies. There are 50 ASC State committees, an ASC committee in Puerto Rico, and 3,054 county committees. The Washington headquarters offices and the Kansas City field offices are the principal staff offices for carrying out activities of the Commodity Credit Corporation (CCC). Such functions include accounting for loans and purchases; acquisition, management, storage, and disposition of commodities; and related transportation and accounting activities.

ASCS licenses warehouses and performs inspections of these facilities, for a fee, to reduce the risk of financial loss to depositors storing commodities at licensed facilities. Inspections are also performed on non-licensed facilities that have storage contracts with CCC for commodities owned by or pledged as collateral to CCC.

Permanent, full-time, end-of-year Federal employment for ASCS for fiscal years 1988, 1989, and 1990 is as follows:

<u>Federal Employment</u>	<u>FY 1988 (actual)</u>	<u>FY 1989 (est.)</u>	<u>FY 1990 (est.)</u>
Washington	566	561	556
Field Offices (States, Kansas City field offices, and Aerial Photography Field Office)	<u>2,244</u>	<u>2,193</u>	<u>2,186</u>
TOTAL FEDERAL	<u>2,810</u>	<u>2,754</u>	<u>2,742</u>
ASCS county office staff-years are as follows:	<u>17,393</u>	<u>17,026</u>	<u>16,418</u>

Following are the principal programs and funding related to ASCS operations:

1. Salaries and Expenses Account. The administrative expenses of Agency programs and other functions assigned to ASCS are funded by this account. The account was established by the Agricultural Appropriation Act of 1963 (P.L. 87-879) to simplify budgetary and accounting requirements and recordkeeping. Salaries and expenses for administering commodity price support, related CCC programs, warehouse examinations, conservation, and all other programs are financed by funds transferred from the CCC, by user fees, and various transfers, advances, and reimbursements. The Agricultural Appropriation Act of 1964 (P.L. 88-250) authorized the merger of all sources of administrative expense funds, including those transferred from CCC.
2. Conservation Reserve Program. The Conservation Reserve Program (CRP) was mandated by sections 1231-1244 of the Food Security Act of 1985 (P.L. 99-198) to establish permanent cover on highly erodible cropland. The primary objectives of the CRP are to help farmers control critical soil erosion that occurs on about a third of America's cropland and to decrease production of surplus agricultural commodities.

The CRP is authorized in all 50 States, Puerto Rico, and the Virgin Islands on all cropland meeting the eligibility criteria: belonging to land capability class VI through VIII; eroding at three times the soil loss tolerance or higher; or eroding at twice the soil loss tolerance if there is serious gully erosion or if trees are planted. Up to 45 million acres of highly erodible land may be entered into the reserve.

The program is administered by State and local ASC committees working under the general direction of ASCS. Technical assistance is provided by the Soil Conservation Service, the Forest Service, State forestry agencies, the Cooperative Extension Service, and other appropriate agencies.

In exchange for entering land into the reserve, program participants will receive annual rental payments in cash or CCC commodities, or a combination of both, based on their accepted bids per acre and the number of acres placed under 10-year contracts. In addition, farmers will receive one-time payments of 50 percent of the eligible costs of establishing vegetative cover on the reserve acreage.

To facilitate program implementation, use of the funds, services and facilities of the Commodity Credit Corporation (CCC) was authorized for fiscal years 1986 and 1987. In accordance with the Food Security Act, beginning with the fiscal year 1988 budget, separate appropriations have been requested to carry out program provisions. The services and facilities of the CCC continue to be used, with annual appropriations provided in advance.

3. Agricultural Conservation Program. This program is authorized by sections 7 to 15, 16(a), 16(f), and 17 of the Soil Conservation and Domestic Allotment Act (P.L. 74-46), as amended and supplemented; sections 1001-1004, 1006-1008, and 1010 of the Agricultural Act of 1970 (P.L. 91-524), as added by the Agriculture and Consumer Protection Act of 1973 (P.L. 93-86); and the Energy Security Act of 1980 (P.L. 96-294). The program's primary objective is to conserve the nation's agricultural soil and water resources in order to ensure a continuing adequate supply of food and fiber while enhancing the environment. The ACP focuses on the highest priority resource problems and the most cost-effective practices for dealing with these problems.

Through the ACP farmers and landowners receive assistance of up to 75 percent of the cost of performing enduring conservation practices that would not be carried out without ACP assistance. A variable cost-share level is also used by counties on a voluntary basis to encourage more conservation on the land for the same or less cost, by relating cost-share levels to the severity of the erosion and the amount of soil savings obtained.

The program is developed jointly by ASC committees, the Soil Conservation Service, the Forest Service, and in most instances, the soil and water conservation districts and State conservation commissions. Program development is done in consultation with National, State, and county ACP conservation review groups, the Cooperative Extension Service, the Farmers Home Administration, and representatives of local agencies and nongovernmental organizations. The Soil Conservation Service, Forest Service, and State forestry agencies provide technical program guidance to ASC committees as well as technical aid to farmers in carrying out conservation practices. The ACP is administered by ASC State, county, and community farmer-elected committees, working under the general direction of ASCS.

4. Colorado River Basin Salinity Control Program. This program is authorized by Section 202(c) of Title II of the Colorado River Basin Salinity Control Act, as amended (43 U.S.C. 1592(c)). The purpose of the program is to reduce salinity in the Colorado River and to improve water quality delivered to downstream users in the U.S. and Mexico by identifying salt source areas, developing plans, and implementing salinity control measures. Measures include improvement of on-farm irrigation water management, related laterals, and erosion management practices. The Federal Government provides financial and technical assistance to landowners to plan, install, and maintain needed soil and water conservation practices, including replacement of incidental fish and wildlife values; conducts research, demonstration, and education activities; and monitors and evaluates program effectiveness. The program provides for a 70-percent Federal cost-share rate with reimbursement of 30 percent of ASCS cost-share funds by the States (to be billed by USDI and paid by the States to Treasury), for an effective Federal cost-share level of 49 percent. The program will be carried out in the seven Colorado River Basin States, with current emphasis on projects in Colorado, Utah, and Wyoming.
5. Forestry Incentives Program. This program is authorized by the Cooperative Forestry Assistance Act of 1978 (P.L. 95-313). Its objectives are to increase the Nation's production of sawtimber and pulpwood on nonindustrial, private forest lands; to decrease, over time, expected shortages and rising prices of timber; and to help ensure effective use of available forest lands. Program objectives are met by providing cost-share and technical assistance to landowners to encourage voluntary installation of forestry practices. The program shares up to 65 percent of the cost incurred by the landowner for tree planting and timberstand improvement.
6. Water Bank Program. This program is authorized by the Water Bank Act (P.L. 91-559), enacted December 1970, as amended by P.L. 96-182, enacted January 1980. Its objectives are to conserve surface water; preserve and improve migratory waterfowl and wildlife-related resources; reduce runoff, soil and wind erosion; improve flood control; contribute to improved soil moisture; reduce the acreage of land brought into agricultural production; retire land now in production; enhance landscape aesthetics; and promote comprehensive water management planning. Agreements are entered into with landowners and operators in important migratory waterfowl nesting, breeding, and feeding areas for the conservation of specified wetlands.

The agreements are for 10-year periods with provision for renewal for additional periods. Rates are established by the ASC State committee based on prevailing local land values. Payment rates may be adjusted at the beginning of the fifth year of the agreements to reflect current land values.

7. Emergency Conservation Program. This program is authorized by Title IV of the Agricultural Credit Act of 1978 (P.L. 95-334). Its objective is to restore to normal agricultural use farmlands damaged by wind erosion, hurricane, flood, or other natural disaster and designated as eligible for assistance by ASC county committees. Also included under the program are water conservation and water enhancement practices during periods of severe drought as determined by the ASCS Deputy Administrator for State and County Operations. Up to 64 percent of the cost of carrying out approved practices under this program is shared with farmers.
8. Rural Clean Water Program. This experimental program is authorized by the Agricultural Appropriation Acts of 1980 (P.L. 96-108) and 1981 (P.L. 96-528). The program is a cooperative endeavor among farmers, various USDA agencies, and EPA to develop and test means of controlling agricultural nonpoint source water pollution in rural areas. Improved water quality is achieved, in keeping with water quality goals and standards, in a cost effective manner. The program provides 3- to 10-year financial and technical assistance for the installation and maintenance of practices to control water pollution on agricultural lands in selected project areas. Treatment measures for each farm are based on an approved water quality plan. The effectiveness of these practices in reducing pollutants is evaluated.
9. Dairy Indemnity Program. This program was established by section 3 of P.L. 90-484, "An Act to provide indemnity payments to dairy farmers." This law carried out the intent of P.L. 88-452, Economic Opportunity Act of 1964, which originally authorized indemnity payments. The program was extended through September 30, 1990, by section 152 of the Food Security Act of 1985. Under this program, indemnity payments are made to farmers and manufacturers who are directed to remove their milk or milk products from commercial markets because of (1) residues of chemicals that have been registered and approved by the Federal Government, (2) residues of other chemicals and toxic substances, or (3) nuclear fallout. The authority also provides indemnity payments on cows producing such milk.
10. Commodity Credit Corporation Program Activities. Various commodity price support and related programs have been authorized in numerous laws since the early 1930's. Operations under these programs are financed through the Commodity Credit Corporation. Personnel and facilities of the Agricultural Stabilization and Conservation Service are used in the administration of the CCC programs. The Administrator of ASCS is ex-officio Executive Vice President of the Corporation. Additional information on the commodity price support and related activities of the Commodity Credit Corporation is found elsewhere in these Explanatory Notes.

11. Foreign Assistance Program and Other Special Activities. Various surplus disposal programs and other special activities are authorized by law. These laws authorize the use of CCC funds and facilities to implement the programs. Under the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, 83rd Congress, as amended, the Corporation finances the sale of exported agricultural commodities (Titles I and III) and donates commodities to friendly nations in times of famine or other emergencies in order to combat malnutrition (Title II). Funds for these programs are made available to the Corporation for its costs incurred or to be incurred in connection with these activities. Additional information on these programs is found elsewhere in these Explanatory Notes.
12. Other Activities. The Agricultural Stabilization and Conservation Service is responsible for part of the Department's emergency preparedness work. This activity includes defense readiness for food production; domestic distribution of farm machinery, fertilizer, feed, and seed; food processing and storage; and distribution through the wholesale level. ASCS also performs certain services for other Federal agencies and others on an advance or reimbursable payment basis.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Available Funds and Staff-Years
1988 Actual and Estimated 1989 and 1990

Item	1988 Actual		1989 Estimated		1990 Estimated	
	Amount	Staff- Years	Amount	Staff- Years	Amount	Staff- Years
Salaries & Expenses, ASCS:						
Transfer from Rental Payments...	\$223,000	)	\$345,000	)	--	)
Transfer from CCC authorized in	)	)	)	)	)	)
Appropriation Act	)	)	)	)	)	)
610,427,000	)	)	580,000,000	)	\$632,588,000	)
Total, Salaries and Expenses, ASCS.....	610,650,000	3,001	580,345,000	2,859	632,588,000	2,800
Agricultural Conserva- tion Program.....	176,935,000		176,935,000		8,000,000	
Colorado River Basin Salinity Control Program.....	4,904,000		5,452,000		10,420,000	
Conservation Reserve Program.....	1,085,760,000		1,802,539,000		1,202,000,000	
Dairy Indemnity Program.....	95,000		5,000		--	
Forestry Incentives Program.....	11,891,000		12,446,000		--	
Water Bank Program.....	8,371,000		9,000,000		8,371,000	
Emergency Conservation Program.....	1,000,000		5,000,000		--	
Subtotal, ASCS	1,899,606,000	3,001	2,591,722,000	2,859	1,861,379,000	2,800
Obligations under other USDA appropriations	35,157,000	212	30,705,000	190	29,992,000	205
Total Agriculture and Related Agencies Appropriations.....	1,934,763,000	3,213	2,622,427,000	3,049	1,891,371,000	3,005
Other Federal Funds.....	604,000	1	618,000	1	604,000	1
Non-Federal Funds.....	20,257,000	74	50,930,000	94	19,954,000	95
Total, Agricultural Stabilization and Conservation Service..	1,955,624,000	3,288	2,673,975,000	3,144	1,911,929,000	3,101

Full-Time Equivalent Staff- Years:	1988 <u>Actual</u>	1989 <u>Estimated</u>	1990 <u>Estimated</u>
Ceiling.....	3,288	3,144	3,101
Non-ceiling.....	96	145	110
Total.....	<u>3,384</u>	<u>3,289</u>	<u>3,211</u>

Note: Staff-years shown do not include staff-years for ASCS county and community committee persons and employees of ASCS county committees who are not Federal employees.

ASCS county employee staff-years are as follows:

FY 1988 - 17,393
FY 1989 - 17,026 a/
FY 1990 - 16,418

a/ County office staff-year estimates for FY 1989 do not include total workload needs associated with the 1988 Disaster Assistance Act. See proposed FY 1989 legislation on page 29-22 of these Notes.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
Permanent Positions by Grade and Staff-Year Summary
1988 and Estimated 1989 and 1990

	1988			1989			1990		
Grade	Headquarters:	Field	Total	Headquarters:	Field	Total	Headquarters:	Field	Total
ES 6	1 :	0 :	1 ::	1 :	0 :	1 ::	1 :	0 :	1
ES 5	1 :	0 :	1 ::	1 :	0 :	1 ::	1 :	0 :	1
ES 4	6 :	2 :	8 ::	6 :	2 :	8 ::	6 :	2 :	8
ES 3	3 :	0 :	3 ::	3 :	0 :	3 ::	3 :	0 :	3
ES 2	3 :	0 :	3 ::	3 :	0 :	3 ::	3 :	0 :	3
ES 1	1 :	0 :	1 ::	1 :	0 :	1 ::	1 :	0 :	1
GS/BM 15	43 :	33 :	76 ::	43 :	33 :	76 ::	43 :	33 :	76
GS/BM 14	80 :	50 :	130 ::	80 :	50 :	130 ::	80 :	50 :	130
GS/BM 13	125 :	166 :	291 ::	125 :	158 :	283 ::	123 :	157 :	280
GS 12	58 :	569 :	627 ::	58 :	561 :	619 ::	57 :	560 :	617
GS 11	34 :	258 :	292 ::	34 :	246 :	280 ::	34 :	245 :	279
GS 10	2 :	8 :	10 ::	2 :	8 :	10 ::	2 :	8 :	10
GS 9	29 :	195 :	224 ::	29 :	189 :	218 ::	28 :	188 :	216
GS 8	5 :	24 :	29 ::	5 :	24 :	29 ::	5 :	24 :	29
GS 7	54 :	215 :	269 ::	54 :	207 :	261 ::	53 :	206 :	259
GS 6	52 :	106 :	158 ::	50 :	106 :	156 ::	50 :	106 :	156
GS 5	25 :	363 :	388 ::	24 :	355 :	379 ::	24 :	354 :	378
GS 4	29 :	168 :	197 ::	27 :	160 :	187 ::	27 :	160 :	187
GS 3	7 :	52 :	59 ::	7 :	59 :	66 ::	7 :	58 :	65
GS 2	2 :	1 :	3 ::	2 :	1 :	3 ::	2 :	1 :	3
GS 1	0 :	0 :	0 ::	0 :	0 :	0 ::	0 :	0 :	0
Ungraded Positions	6 :	34 :	40 ::	6 :	34 :	40 ::	6 :	34 :	40
Total Permanent Positions	566 :	2,244 :	2,810 ::	561 :	2,193 :	2,754 ::	556 :	2,186 :	2,742
Staff-years:									
Ceiling	607 :	2,681 :	3,288 ::	574 :	2,570 :	3,144 ::	564 :	2,537 :	3,101
Non-Ceiling ..	10 :	86 :	96 ::	11 :	134 :	145 ::	11 :	99 :	110
TOTAL	617 :	2,767 :	3,384 ::	585 :	2,704 :	3,289 ::	575 :	2,636 :	3,211

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

CLASSIFICATION BY OBJECTSAgency Summary1988 and Estimated 1989 and 1990

Personnel Compensation:	<u>1988</u>	<u>1989</u>	<u>1990</u>
Headquarters	\$22,514,000	\$24,489,000	\$25,299,000
Field	<u>66,894,000</u>	<u>72,159,000</u>	<u>71,682,000</u>
11 Total personnel compensation	89,408,000	96,648,000	96,981,000
12 Personnel Benefits	14,955,000	16,106,000	16,139,000
13 Benefits for former personnel	<u>606,000</u>	<u>687,000</u>	<u>710,000</u>
Total Pers. Comp. & Benefits	<u>104,969,000</u>	<u>113,441,000</u>	<u>113,830,000</u>
Other Objects:			
21 Travel	4,979,000	5,162,000	5,275,000
22 Transportation of things	1,205,000	1,186,000	1,195,000
23.2 Rental payments to others.....	2,547,000	3,398,000	3,485,000
23.3 Communications, utilities, and misc. charges.....	15,772,000	20,017,000	22,186,000
24 Printing and reproduction	3,451,000	3,320,000	3,486,000
25 Other services	28,687,000	46,447,000	28,761,000
26 Supplies and materials	3,976,000	4,434,000	4,733,000
31 Equipment	704,000	1,235,000	1,163,000
41 Grants, subsidies, and contributions ..	967,755,000	2,415,112,000	2,513,815,000
42 Insurance claims and indemnities	41,000	63,000	63,000
43 Interest and dividends	7,000	9,000	9,000
44 Refunds	<u>53,000</u>	<u>40,000</u>	<u>40,000</u>
Total other objects.....	<u>1,029,177,000</u>	<u>2,500,423,000</u>	<u>2,584,211,000</u>
Total direct obligations....	<u>1,134,146,000</u>	<u>2,613,864,000</u>	<u>2,698,041,000</u>

Position Data:

Average Salary, ES positions	71,687	73,195	73,195
Average Salary, GS/GM positions	29,339	30,505	30,545
Average Grade, GS/GM positions	9.29	9.32	9.35

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses (Including Transfers of Funds):

For necessary administrative expenses of the Agricultural Stabilization and Conservation Service, including expenses to formulate and carry out programs authorized by title III of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1301-1393); the Agricultural Act of 1949, as amended (7 U.S.C. 1421 et seq.); sections 7 to 15, 16(a), 16(f), and 17 of the Soil Conservation and Domestic Allotment Act, as amended and supplemented (16 U.S.C. 590g-590o, 590p(a), 590p(f), and 590q); sections 1001 to 1004, 1006 to 1008, and 1010 of the Agricultural Act of 1970 as added by the Agriculture and Consumer Protection Act of 1973 (16 U.S.C. 1501 to 1504, 1506 to 1508, and 1510); the Water Bank Act, as amended (16 U.S.C. 1301-1311); the Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2101); sections 202(c) and 205 of title II of the Colorado River Basin Salinity Control Act of 1974, as amended (43 U.S.C. 1592(c), 1595); sections 401, 402, and 404 to 406 of the Agricultural Credit Act of 1978 (16 U.S.C. 2201 to 2205); the United States Warehouse Act, as amended (7 U.S.C. 241-273); and laws pertaining to the Commodity Credit Corporation, not to exceed [\$580,000,000] \$632,588,000 to be derived by transfer from the Commodity Credit Corporation fund: Provided, That other funds made available to the Agricultural Stabilization and Conservation Service for authorized activities may be advanced to and merged with this account: Provided further, That these funds shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$100,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That no part of the funds made available under this Act shall be used (1) to influence the vote in any referendum; (2) to influence agricultural legislation, except as permitted in 18 U.S.C. 1913; or (3) for salaries or other expenses of members of county and community committees established pursuant to section 8(b) of the Soil Conservation and Domestic Allotment Act, as amended, for engaging in any activities other than advisory and supervisory duties and delegated program functions prescribed in administrative regulations.

Agricultural Stabilization and Conservation Service

SALARIES AND EXPENSES

	<u>Direct Appropriation</u>	<u>Transfers from Commodity Credit Corporation</u>	<u>Total</u>
Appropriation Act, 1989.....	--	\$580,000,000	\$580,000,000
Budget Estimate, 1990.....	--	632,588,000	632,588,000
Increase in Transfers.....	--	+52,588,000	+52,588,000
Adjustments in 1989			
Appropriation Act, 1989.....	--	580,000,000	580,000,000
Transfer from Rental Payments <u>a/</u>	+\$345,000	--	345,000
Adjusted Base for 1989.....	345,000	580,000,000	580,345,000
Budget Estimate, 1990.....	--	632,588,000	632,588,000
Increase/Decrease from adjusted 1989.....	-345,000	+52,588,000	+52,243,000

a/ Reflects transfer to ASCS from Rental Payments as a result of ASCS State Offices moving to non-GSA space.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation and CCC transfers)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>Financing Changes</u>	<u>1990 Estimates</u>
Salaries and Expenses	\$580,345,000	+\$21,078,000	+\$31,165,000	\$632,588,000

PROJECT STATEMENT
(On basis of adjusted appropriation and CCC transfers)

	1988 Actual		1989 Estimated		Increase	1990 Estimated	
	Amount	Staff- Years	Amount	Staff- Years		Amount	Staff- Years
1. Program for- mulation and appraisal....	\$22,589,000:	111:	\$21,467,000:	106:	+\$1,933,000:	\$23,400,000:	103
2. Operation of supply ad- justment, conservation and price support pro- grams.....	525,037,000:	2,578:	498,967,000:	2,456:	+44,928,000:	543,895,000:	2,405
3. Inventory management and merchan- dising.....	62,882,000:	309:	59,760,000:	294:	+5,381,000:	65,141,000:	289
4. Warehouse examination..	142,000:	3:	151,000:	3:	+1,000:	152,000:	3
Total available or estimate..	610,650,000:	3,001:	580,345,000:	2,859:	+52,243,000:	632,588,000:	2,800
Transfer from CCC transfer authority....	-609,927,000:	-3,001:	-580,000,000:	-2,859:			
Portion not drawn down...	-500,000:	--:	--:	--:			
Transfer from Rental Pay- ments.....	-223,000:	--:	-345,000:	--:			
Total, appropriation	-0-	-0-	-0-	-0-			

JUSTIFICATION OF INCREASES

An overall net increase of \$52,243,000 in CCC transfer authority for ASCS farm program administration (\$580,345,000 available in fiscal year 1989), consisting of:

- (1) A net increase of \$21,078,000 resulting from increased operating costs, primarily for county offices.

The net increase is due to a higher average cost per staff-year resulting from a decrease in the use of temporary employees in 1990, increases for uncontrollable operating expenses such as rent and utilities, and telecommunication expenses associated with increased automation. These increases are partly offset by reduced overtime requirements, lower staffing due to the required absorption of the pay increase, and for proposed reductions in conservation programs. Although there is an overall decrease in estimated county office staff-years from fiscal year 1989, the cost per staff-year is increased because the Agency will have fewer temporary employees.

The fiscal year 1989 base of \$580,345,000 does not provide sufficient funding or staff-years for administering the many provisions of the 1988 Disaster Assistance Act in fiscal year 1989. ASCS received \$45.427 million in supplemental funding in late fiscal year 1988 to administer these activities, based on an estimated moderate level of producer participation. This funding was obligated in fiscal year 1988, but producer participation is now anticipated to be extremely heavy. Therefore, appropriation language has been proposed for fiscal year 1989 which would authorize additional CCC transfers to ASCS to cover only the unfunded disaster workload. An accurate assessment of this workload will be available following completion of disaster program producer signup on March 31, 1989. More information on the 1989 proposed language is shown on Page 29-22 of these Notes.

- (2) An increase of \$31,165,000 for the one-time use of loan service fees in fiscal year 1989.

Increased CCC transfers in fiscal year 1990 are necessary to adjust for the one-time use of loan service fees totaling \$31,165,000 in fiscal year 1989. By using all available funds in the loan service fee account in fiscal year 1989, the Agency will be able to service some of its critical unfunded program and carryover workload, including establishing payment eligibility for all 1989 crop payments as required by recent legislation. This action will leave the loan service fee account entirely depleted by the beginning of fiscal year 1990, requiring an increase in CCC transfers in fiscal year 1990 to maintain the funding level required to carry out ASCS/CCC programs.

EXPLANATION OF PROGRAM

The account "Salaries and Expenses, Agricultural Stabilization and Conservation Service" funds the administrative expenses of program administration and other functions assigned to ASCS. The Budget for Salaries and Expenses, ASCS, reflects the transfer of CCC funds used to carry out specific programs. Funds made available to ASCS by other agencies for services associated with various programs are also advanced to and merged with this account. These transfers consolidate all administrative funds used by ASCS into one account, which provides clarity and better management and control of funds. The consolidation facilitates accounting, fiscal, and budgetary work by eliminating the necessity for making individual allocations and allotments and maintaining and recording obligations and expenditures under numerous separate accounts.

The activities carried out under this account are as follows:

1. Program formulation and appraisal. The supply adjustment, conservation, and commodity support programs have a major impact on the national and, to a lesser extent, the international economy. This activity provides for the development and constant review of the effectiveness of these programs. It also provides for the analysis of data to formulate more effective programs.

2. Operation of supply adjustment, conservation, and price support programs. This activity includes all functions dealing with the administration of programs carried out through the farmer committee system, including (a) developing program regulations and procedures; (b) holding meetings with employees and producers to discuss new programs or changes in existing programs; (c) collecting and compiling basic data for individual farms; (d) establishing individual farm allotments, bases, and yields; (e) notifying producers of established allotments, bases, and yields; (f) determining farm marketing quotas; (g) handling appeals; (h) conducting referendums and certifying results; (i) accepting farmer certifications and checking compliance; (j) accepting producer applications for participation in commodity price stabilizing programs; (k) issuing marketing cards so that production from the allotted acreage can be marketed without penalty; (l) processing producer requests for conservation cost-sharing and issuing conservation reserve rental payments; (m) processing annual Dairy Termination Program payment and issuing checks; (n) processing commodity, storage facility, and grain reserve loans and repayments and issuing checks; (o) processing disaster, diversion and deficiency payments and issuing checks and commodity certificates; and (p) certifying payment eligibility and monitoring payment limitations.

3. Inventory management and merchandising. This activity includes: (a) overall management of CCC-owned commodities; (b) purchasing commodities; (c) donating commodities; (d) selling commodities (e) processing the redemption of commodity certificates for CCC inventory; and, (f) accounting for loans and commodities.

The foregoing activities serve as administrative support for the following missions of the Department as described previously under Foreign Assistance Programs, Agricultural Stabilization and Conservation Service, and Commodity Credit Corporation, respectively:

- o Agricultural exports
- o Environmental improvement and resource development and use
- o Farm income

4. Warehouse Examination. This activity provides for the examination of warehouses licensed under the U.S. Warehouse Act and non-licensed warehouses storing CCC-owned or pledged commodities. ASCS examiners perform periodic examinations of the facilities and the warehouse records to ensure protection of depositors against potential losses of the stored commodities and to ensure compliance with the U.S. Warehouse Act and any CCC storage agreements.

The following tabulation shows totals in this account for administrative expenses:

Project	1988 Actual	1989 Estimated	1990 Estimated
The obligations are distributed by activities as follows:			
1. Program formulation and appraisal....	\$24,432,000	\$24,290,000	\$25,047,000
2. Operation of supply adjustment, conservation, & price support programs..	567,867,000	564,579,000	582,175,000
3. Inventory management & merchandising of commodities.....	68,012,000	67,618,000	69,726,000
4. Warehouse examination.....	5,857,000	6,111,000	6,190,000
Total.....	666,168,000	662,598,000	683,138,000
Obligations under direct appropriation and CCC transfers:			
ASCS.....	610,150,000	580,345,000	632,588,000
Obligations under funds from other sources and consolidated with this account	56,018,000	82,253,000	50,550,000
Total.....	666,168,000	662,598,000	683,138,000

HOW ESTIMATES ARE MADE

Following is a brief description of the process for estimating requirements for Salaries and Expenses, ASCS:

County Offices. A work measurement study is made in approximately 160 counties to determine actual time required to complete units of work by category. Time and units reported by these work measurement counties are used to establish coefficients. Coefficients are then applied to units of work reported by all 2,676 headquarter counties for each category of work in each major program or function. Unmeasured work reflects other activities, less subject to this work measurement technique, which are recorded on an actual workday basis. This determines the normal work-days required for the workload involved in each fiscal year. The workload for each major program or function is shown in Table I and reflects changing program requirements.

The actual obligations for 1988, divided by the actual work-years, determined the average work-year cost for 1988. This cost was revised for 1989 and 1990 to reflect related pay adjustments and for changing workload and personnel requirements.

State, Field, and National Office Costs. Requirements for these offices are determined on the basis of past experience and program workload requirements. Table II reflects volume by major activity for field and national offices.

COMPUTATIONS FOR DEVELOPING
COUNTY OFFICE AND TOTAL COSTS

The computations below include all funds (CCC transfers, User Fees, other Advances and Reimbursements, and transfers from other agencies) available to Salaries and Expenses, ASCS:

Fiscal Year 1988

Normal work-days (Table I).....	4,522,112	
Work-year requirements for workload programs.....	17,393	a/
Obligations for workload programs (county offices).....	\$491,375,000	a/
Obligations for other offices.....	\$174,793,000	
Total obligations, fiscal year 1988.....	\$666,168,000	

Fiscal Year 1989

Normal work-days (Table I).....	4,426,748	
Work-year requirements for workload programs.....	17,026	a/
Obligations for workload programs (county offices).....	\$470,658,000	a/
Obligations for other offices.....	\$191,940,000	
Total estimated obligations, fiscal year 1989.....	\$662,598,000	

Fiscal Year 1990

Normal work-days (Table I).....	4,268,568	
Work-year requirements for workload programs.....	16,418	a/
Obligations for workload programs (county offices).....	\$487,783,000	a/
Obligations for other offices.....	\$195,355,000	
Total estimated obligations, fiscal year 1990.....	\$683,138,000	

NOTE: For FY 1989, total county office work year requirements and associated obligations for 1988 Disaster Assistance Act activities are not included. These estimates will be available following completion of 1988 Disaster Assistance Program signup on March 31, 1989. See page 29-21 of these Notes for additional information.

a/ The following work-years and funds are included for reimbursable county office workload associated with the Federal Crop Insurance Act of 1980.

	FY 1988		FY 1989		FY 1990	
	Work- Years	Dollars	Work- Years	Dollars	Work- Years	Dollars
FCIC.....	131	\$3,695,000	130	\$3,345,000	98	\$2,714,000

TABLE I

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
SALARIES AND EXPENSES, ASCS

Normal Work-Days by Program/Function
FY 1988 Actual, FY 1989 Estimated and FY 1990 Projected

Program/Function	FISCAL YEAR		
	1988 Actual	1989 Estimated	1990 Projected
Conservation and Related Programs.....	419,052	457,194	309,920
Wool and Mohair.....	22,232	15,387	15,387
Loan Activity.....	653,359	274,556	379,819
Compliance.....	823,598	824,905	827,363
Yields and Bases Establishment.	221,152	192,431	384,862
Commodity Program Payments.....	562,112	514,937	480,375
Basic Farm Records.....	290,941	587,358	518,000
Peanut Quotas and Marketings...	23,202	23,202	23,202
Tobacco Allotments and Marketings.....	57,315	57,315	57,315
Referenda.....	344	4,603	97
Administration.....	827,864	866,238	848,393
Committee Elections.....	39,775	39,775	39,775
Unmeasured.....	308,743	308,743	132,226
Measurement Services.....	222,961	211,813	211,813
SCOAP	15,465	14,616	14,560
Subtotal.....	4,488,115	4,393,073	4,243,107
FCIC and Reinsured Companies...	33,997	33,675	25,461
Total.....	4,522,112	4,426,748	4,268,568
County Staff Year Equivalent of Normal Workdays.....	17,393	17,026	16,418

TABLE II

COMMODITY CREDIT CORPORATION
Summary of Major Program Volume by Commodity
(In thousands)

Item and Commodity	FY 1988 Actual	FY 1989 Estimated	FY 1990 Estimated
1. LOANS MADE			
Upland Cotton (bales)	5,707	8,610	7,500
Corn (bu)	3,955,573	426,600	1,415,000
Grain Sorghum (bu)	285,000	61,300	115,000
Rice, Rough (cwt)	102,571	153,860	156,253
Wheat (bu)	296,758	79,182	73,529
Soybeans (bu)	275,985	85,000	230,000
Other Grains (bu)*	86,345	37,100	37,700
Honey (lb)	270,526	186,960	195,871
ELS Cotton (bales)	15	25	35
2. LOAN COLLATERAL FORFEITURES			
Upland Cotton (bales)	26	298	400
Corn (bu)	606,349	198,679	156,002
Grain Sorghum (bu)	182,475	24,417	7,600
Rice, Rough (cwt)	1,452	2,110	1,012
Wheat (bu)	112,635	128,500	150,830
Soybeans (bu)	14,899	0	0
Other Grains (bu)*	19,306	8,317	16,000
Honey (lb)	57,556	43,186	39,648
ELS Cotton (bales)	3	1	1
3. DISPOSITIONS			
Upland Cotton (bales)			
Regular	52	0	0
Certificates	499	356	300
Total	<u>551</u>	<u>356</u>	<u>300</u>
Corn (bu)			
Regular	207,798	121,654	39,704
Certificates	4,890,241	846,000	388,000
Total	<u>5,098,039</u>	<u>967,654</u>	<u>427,704</u>
Grain Sorghum (bu)			
Regular	13,199	38,390	8,848
Certificates	431,763	137,900	111,000
Total	<u>444,962</u>	<u>176,290</u>	<u>119,848</u>
Rice, Rough (cwt)			
Regular	8,813	6,318	5,816
Certificates	<u>(8,423)</u>	8,086	13,819
Total	<u>390</u>	<u>14,404</u>	<u>19,635</u>

(continued next page)

TABLE II (continued)

Item and Commodity	FY 1988 Actual	FY 1989 Estimated	FY 1990 Estimated
<u>DISPOSITIONS (cont.)</u>			
Wheat (bu)			
Regular	104,749	119,543	42,397
Certificates	<u>777,538</u>	<u>81,892</u>	<u>108,333</u>
Total	<u>882,287</u>	<u>201,435</u>	<u>150,730</u>
Soybeans (bu)			
Regular	236,828	2,914	0
Certificates	<u>(17,977)</u>	<u>0</u>	<u>0</u>
Total	<u>218,851</u>	<u>2,914</u>	<u>0</u>
Other Grains (bu)*			
Regular	9,495	2,600	3,401
Certificates	<u>143,588</u>	<u>57,185</u>	<u>43,456</u>
Total	<u>153,083</u>	<u>59,785</u>	<u>46,857</u>
Honey (lb)			
Regular	79,260	62,330	48,330
Certificates	<u>(1,746)</u>	<u>0</u>	<u>0</u>
Total	<u>77,514</u>	<u>62,330</u>	<u>48,330</u>
ELS Cotton (bales)	7	1	1
<u>4. ENDING INVENTORIES</u>			
Upland Cotton (bales)	8	300	400
Corn (bu)	851,497	334,522	219,820
Grain Sorghum (bu)	489,824	348,931	254,827
Rice, Rough (cwt)	2,733	1,843	0
Wheat (bu)	314,357	281,422	289,022
Soybeans (bu)	2,914	0	0
Other Grains (bu)*	59,653	43,985	40,528
Honey (lb)	38,888	17,687	7,410
ELS Cotton (bales)	0	0	0

*Includes barley, oats, and rye.

ADP Activities

ADP in ASCS is integral to the agency's long range Information Resources Management Plan. The plan calls for the utilization of modern technology wherever it is feasible and cost-beneficial. ASCS has implemented a nationwide network of computer systems in support of CCC operations. All State and county ASCS offices now utilize computer-based procedures to conduct day-to-day support to producers. This distributed network approach has dramatically reduced the agency's previous dependency upon traditionally hand prepared forms and documents.

Most farm and producer data are currently maintained on the county office computers for processing purposes only and are automatically accessed, used, and updated simultaneously while servicing the producers. All major program applications were completed during fiscal year 1988.

Through the departmental communications network, summary data is transmitted to ASCS State office where it is used for program management and oversight purposes. State offices further summarize this information for transmission to the Kansas City Management Office. In the future some of this accounting and administrative information will be transmitted to Washington Headquarter Offices' Management Information Systems data bases. These data bases will be designed and maintained as a shared information resources for ASCS and the Foreign Agricultural Service (FAS). These data base resources will include information relative to the activities and missions of both agencies. FAS collects foreign production and supply and demand information. Thus, agency and departmental policymakers will have ready access to the latest information, both foreign and domestic.

Contractor assistance is being utilized in the development and implementation of the processed commodities inventory management system, in the automation of the Aerial Photography Field Office in Salt Lake City, and in the proposed automation of tobacco marketing sites.

In carrying out the overall long-range plan described above, CCC capital investments totaling \$7,077,000 in fiscal year 1990 will be required, as detailed below. Equipment will be purchased under the statutory authority of the Commodity Credit Corporation Charter Act to support the ASCS Information Resources Management Plan.

CCC funding for essential mission enhancements to the State and County Office Automation Project (SCOAP) equipment are estimated at \$3,500,000. Hardware enhancements and related capitalized software for the CCC Computer Facility, including components for headquarter and field offices, are estimated at \$755,000. The remaining \$2,822,000 is for the purchase of equipment including software, telephones, and peripherals needed by ASCS in support of IRM objectives and to keep abreast of new technologies and their impact on ASCS.

CONGRESSIONAL DIRECTIVE

In accordance with a Congressional directive requesting that the Explanatory Notes reflect a division between administrative costs for regular conservation programs and all other ASCS activities, the estimated fiscal year 1990 administrative cost for conservation, excluding the Conservation Reserve Program, is \$18,159,513.

This cost estimate includes all conservation administrative costs associated with activities previously funded through direct appropriation. For fiscal year 1990, this estimate reflects costs for administering carryover activities as well as new funds for some Agricultural Conservation Program activities concerning water quality initiatives, the Water Bank Program, and the Colorado River Basin Salinity Control Program.

Agricultural Stabilization and Conservation Service
Salaries and Expenses
Geographic Breakdown of Obligations
Fiscal Year 1988 and Estimated Fiscal Years 1989 and 1990

State	1988 Actual	1989 Estimate	1990 Estimate
Alabama	\$11,131,774	\$10,375,408	\$11,309,409
Alaska	334,823	312,073	340,166
Arizona	2,033,919	1,895,721	2,066,375
Arkansas	11,018,222	10,269,572	11,194,045
California	6,223,675	5,800,798	6,322,989
Colorado	6,824,305	6,360,617	6,933,204
Connecticut	1,034,058	963,797	1,050,559
Delaware	728,528	679,027	740,154
District of Columbia	62,924,476	59,023,802	64,337,160
Florida	5,619,390	5,237,572	5,709,062
Georgia	17,005,731	15,850,251	17,277,100
Hawaii	464,031	432,502	471,436
Idaho	6,242,017	5,817,894	6,341,624
Illinois	27,834,551	25,943,290	28,278,720
Indiana	16,276,819	15,170,866	16,536,556
Iowa	33,565,411	31,284,758	34,101,030
Kansas	22,978,395	21,417,093	23,345,072
Kentucky	14,919,307	13,905,591	15,157,381
Louisiana	7,814,800	7,283,812	7,939,505
Maine	2,168,747	2,021,389	2,203,355
Maryland	2,537,340	2,364,936	2,577,829
Massachusetts	963,250	897,800	978,621
Michigan	12,827,804	11,956,199	13,032,503
Minnesota	21,450,698	19,993,197	21,792,997
Mississippi	12,139,067	11,314,260	12,332,776
Missouri	63,812,470	66,938,201	72,964,017
Montana	8,753,714	8,158,930	8,893,402
Nebraska	25,328,469	23,607,488	25,732,648
Nevada	966,675	900,993	982,101
New Hampshire	936,216	872,604	951,156
New Jersey	1,148,509	1,070,472	1,166,836
New Mexico	3,218,653	2,999,956	3,270,014
New York	7,248,397	6,755,894	7,364,063
North Carolina	18,015,556	16,791,461	18,303,038
North Dakota	16,170,550	15,071,818	16,428,591
Ohio	15,421,970	14,374,101	15,668,066
Oklahoma	11,737,651	10,940,118	11,924,954
Oregon	4,170,455	3,887,087	4,237,005
Pennsylvania	8,063,512	7,515,625	8,192,185
Puerto Rico-Virgin	584,266	544,567	593,589
Rhode Island	210,671	196,357	214,033
South Carolina	7,618,565	7,100,910	7,740,138
South Dakota	14,147,169	13,185,917	14,372,921
Tennessee	14,128,627	13,168,636	14,354,084
Texas	38,759,670	36,126,085	39,378,179
Utah	3,748,824	7,311,153	7,969,307
Vermont	1,375,472	1,282,013	1,397,421
Virginia	10,237,439	9,541,840	10,400,802
Washington	4,842,328	4,513,309	4,919,599
West Virginia	4,711,450	4,391,324	4,786,633
Wisconsin	15,379,303	14,334,333	15,624,718
Wyoming	2,351,348	2,191,582	2,388,870
Total Direct Obligations/Estimates	610,150,000	580,345,000	632,588,000
Undistributed Reimbursements	56,018,000	82,253,000	50,550,000
Total, Available Estimate	\$666,168,000	\$662,598,000	\$683,138,000

SALARIES AND EXPENSES

APPROPRIATION LANGUAGE NOW REQUESTED, EXISTING LEGISLATION

Such sums as may be necessary for salaries and other expenses incurred in carrying out fiscal year 1989 workload in connection with 1988 disaster assistance activities only, shall be available by transfer from the Commodity Credit Corporation during fiscal year 1989.

Explanation of Appropriation Language Requested

The requested fiscal year 1989 language would permit transfer of CCC funds to the ASCS Salaries and Expenses account in such amounts as may be required to carry out uncontrollable workload in ASCS county offices resulting from the 1988 Disaster Assistance Act. Accurate estimates of producer participation in authorized drought programs and related ASCS workload will be available following the end of producer signup on March 31, 1989.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows
(deleted matter enclosed in brackets):

Dairy Indemnity Program

[For necessary expenses involved in making indemnity payments to dairy farmers for milk or cows producing such milk and manufacturers of dairy products who have been directed to remove their milk or dairy products from commercial markets because it contained residues of chemicals registered and approved for use by the Federal Government, and in making indemnity payments for milk, or cows producing such milk, at a fair market value to any dairy farmer who is directed to remove his milk from commercial markets because of (1) the presence of products of nuclear radiation or fallout if such contamination is not due to the fault of the farmer, or (2) residues of chemicals or toxic substances not included under the first sentence of the Act of August 13, 1968, as amended (7 U.S.C. 450j), if such chemicals or toxic substances were not used in a manner contrary to applicable regulations or labeling instructions provided at the time of use and the contamination is not due to the fault of the farmer, \$5,000: Provided, That none of the funds contained in this Act shall be used to make indemnity payments to any farmer whose milk was removed from commercial markets as a result of his willful failure to follow procedures prescribed by the Federal Government: Provided further, That this amount shall be transferred to the Commodity Credit Corporation: Provided further, That the Secretary is authorized to utilize the services, facilities, and authorities of the Commodity Credit Corporation for the purpose of making dairy indemnity disbursements.]

The change deletes the appropriation language for the Dairy Indemnity Program since no funds are requested for fiscal year 1990.

Dairy Indemnity Program

Appropriations Act, 1988	\$5,000
Budget Estimate, 1989	--
Decrease in Appropriation	<u><u>-\$5,000</u></u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Indemnity payments to dairy farmers	\$5,000	-\$5,000	--
Indemnity payments to manufacturers of dairy products	--	--	--
Total Available	<u><u>\$5,000</u></u>	<u><u>-\$5,000</u></u>	<u><u>--</u></u>

PROJECT STATEMENT
(On basis of appropriation)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Decrease</u>	<u>1990 Estimated</u>
Indemnity payments to dairy farmers and manufacturers	\$95,000	\$5,000	-\$5,000	--
Total, appropriation or estimate	\$95,000	\$5,000	-\$5,000	--

PROJECT STATEMENT
(On basis of available funds)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Increase or Decrease</u>	<u>1990 Estimated</u>
Indemnity payments to dairy farmers	\$39,508	\$545,482	-\$450,482	\$95,000
Unobligated balance brought forward from prior years .	-509,945	-565,437	+470,437	-95,000
Recoveries of prior years obligations	--	-70,045	+70,045	--
Unobligated balance carried forward to next year	565,437 1/	95,000	-95,000	--
Total, appropriation or estimate	\$95,000	\$5,000	-\$5,000	--

1/ Includes \$409,000 recovered through litigation.

EXPLANATION OF PROGRAM

The appropriation "Dairy Indemnity Program" of the Agricultural Stabilization and Conservation Service funds indemnity payments, under certain circumstances, to dairy farmers and manufacturers of dairy products.

Section 331 of the Economic Opportunity Act of 1964 authorized the Secretary to make indemnity payments, at fair market value, to farmers who have been directed to remove their milk from commercial markets because it contained residues of

chemicals registered and approved by the Federal Government at the time of use. Original authority granted under this section terminated January 31, 1965, but the termination date has been extended ten times. Major legislation extending and modifying the program is summarized as follows:

- The Agricultural Act of 1970, Public Law 91-524, authorized indemnity payments to manufacturers of dairy products whose products have been removed from the market because they contained residues of chemicals registered and approved by the Federal Government.
- The Agriculture and Consumer Protection Act of 1973, Public Law 93-86, extended the authority for dairy indemnity payments to June 30, 1977. The Act also authorized indemnity payments for dairy cows producing milk contaminated with pesticide residues.
- The Food and Agriculture Act of 1977, which extended the Dairy Indemnity Program to September 30, 1981, also authorized indemnity payments for milk, or cows producing milk, that must be removed from commercial markets as a result of chemical residues not previously included, nuclear radiation, or fallout.
- The Agriculture and Food Act of 1981 extended authority for the Dairy Indemnity Program through September 30, 1985.
- The Food Security Act of 1985 extended authority for the Dairy Indemnity Program through September 30, 1990.
- Use of Commodity Credit Corporation services and facilities was authorized under Public Law 99-349, the fiscal year 1986 Urgent Supplemental Appropriations Act, and under the Rural Development, Agriculture, and Related Agencies Appropriations Act, 1988.
- Dairy Indemnity Program funds were made available until expended under Section 608, General Provisions, of Public Law 99-190, the Continuing Resolution for fiscal year 1986, and was continued in fiscal years 1987 and 1988 under Section 608, General Provisions, of the Agriculture appropriations acts for those years.

During fiscal year 1989, an estimated \$545,482 will be obligated for payment of claims filed by dairy producers under the program. In fiscal year 1990 sufficient funds will be available to cover expected claims during a normal year of operation.

JUSTIFICATION OF DECREASE

A decrease of \$5,000 for indemnity payments to dairy farmers (\$5,000 available in fiscal year 1989).

Need for Change. It is estimated that funds currently available will be sufficient to satisfy anticipated claims; therefore, no additional funds are requested in the fiscal year 1990 budget.

Nature of Change. No new funding for indemnity payments to dairy farmers and manufacturers of dairy products is requested in fiscal year 1990 since sufficient carryover funds are expected to be available.

The following table shows the geographic breakdown of obligations for fiscal years 1988-90.

Dairy Indemnity Program
 Geographic Breakdown of Obligations
 Fiscal Year 1988 and Estimated Fiscal Years 1989 and 1990

State	1988 Actual	1989 Estimated	1990 Estimated
Alabama	\$4,920	--	--
Missouri	4,477	--	--
Oklahoma	30,111	--	--
Texas	--	\$250,000	--
Undistributed	--	295,482	--
Total, Available or Estimate	\$39,508	\$545,482	--

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Agricultural Conservation Program

- For necessary expenses to carry into effect the program authorized in sections 7 to 15, 16(a), 16(f), and 17 of the Soil Conservation and Domestic Allotment Act approved February 29, 1936, as amended and supplemented (16 U.S.C. 590g-590o, 590p(a), 590p(f), and 590q), and sections 1001-1004, 1006-1008, and 1010 of the Agricultural Act of 1970, as added by the Agriculture and Consumer Protection Act of 1973 (16 U.S.C. 1501-1504, 1506-1508, and 1510), and including not to exceed \$15,000 for the preparation and display of exhibits, including such displays at State, interstate, and international fairs within the United States,
- 1 [\$176,935,000] \$8,000,000, to remain available until expended (16 U.S.C. 590o) for agreements, excluding administration but including technical assistance and related expenses, except that no participant in the Agricultural Conservation Program shall receive more than \$3,500 per year, except where the participants from two or more farms or ranches join to carry out approved practices designed to conserve or improve the agricultural resources of the community, or where a participant has a long-term agreement, in which case the total payment shall not exceed the annual payment limitation multiplied by the number of years of the agreement: Provided, That no portion of the funds for the current year's program may be utilized to provide financial or technical assistance for drainage on wetlands now designated as Wetlands Types 3 (III) through 20 (XX) in United States Department of the Interior, Fish and Wildlife Circular 39, Wetlands of the United States, 1956: Provided further, That such amounts shall be available for the purchase of seeds, fertilizers, lime, trees, or any other conservation materials, or any soil-terracing services, and making grants thereof to agricultural producers to aid them in carrying out approved farming practices as authorized by the Soil Conservation and Domestic Allotment Act, as amended, as determined and recommended by the county committees, approved by the State committees and the Secretary, under programs provided for herein: Provided further, That such assistance will not be used for carrying out measures and practices that are primarily production-oriented or that have little or no conservation or pollution abatement benefits: Provided further, That not to exceed 5 per centum of the allocation for the current year's program for any county may, on the recommendation of such county committee and approval of the State committee, be withheld and allotted to the Soil Conservation Service for services of its technicians in formulating and carrying out the Agricultural Conservation Program in the participating counties, and shall not be utilized by the Soil Conservation Service for any purpose other than technical and other assistance in such counties, and in addition, on the recommendation of such county committee and approval of the State committee, not to exceed 1 per centum may be made available to any other Federal, State, or local public agency for the same purpose and under
 - 2 the same conditions: Provided further, That for the current year's program, not to exceed \$2,500,000 shall be available for technical assistance in formulating and carrying out rural environmental practices: Provided further, That no part of any funds available to the Department, or any bureau, office, corporation, or other agency constituting a part of such Department, shall be used in the current fiscal year for the payment of salary or travel expenses of any person who has been convicted of violating the Act entitled "An Act to prevent pernicious political activities" approved August 2, 1939, as amended, or who has been found in accordance with the provisions of title 18 U.S.C. 1913 to have violated or attempted to violate such section which prohibits the use of Federal appropriations for the payment of personal services or other expenses designed to influence in any manner a Member of Congress to favor or oppose any legislation or appropriation by Congress except upon request of any Member or through the proper official channels.

The first change in language revises the appropriation to reflect the amount requested for fiscal year 1990.

The second change clarifies that less funding may be available for the specified technical assistance at a reduced program level.

Agricultural Conservation Program

Appropriations Act, 1989	\$176,935,000
Budget Estimate, 1990	8,000,000
Decrease in Appropriation	<u><u>-\$168,935,000</u></u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Cost-sharing and technical assistance to farmers	<u>\$176,935,000</u>	<u>-\$168,935,000</u>	<u>\$8,000,000</u>

PROJECT STATEMENT
(On basis of appropriation)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Decrease</u>	<u>1990 Estimated</u>
Cost-sharing and technical assistance to farmers	\$176,935,000	\$176,935,000	-\$168,935,000	\$8,000,000
Total, appropriation or estimate	<u>\$176,935,000</u>	<u>\$176,935,000</u>	<u>-\$168,935,000</u>	<u>\$8,000,000</u>

PROJECT STATEMENT
(On basis of available funds)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Increase or Decrease</u>	<u>1990 Estimated</u>
Cost-sharing and technical assistance to farmers	\$197,787,522	\$228,478,907	-\$220,478,907	\$8,000,000
Unobligated balance brought forward from prior years..	-72,396,429	-51,543,907	+51,543,907	--
Unobligated balance carried forward to next year.....	51,543,907	--	--	--
Total appropriation or estimate	<u>\$176,935,000</u>	<u>\$176,935,000</u>	<u>-\$168,935,000</u>	<u>\$8,000,000</u>

EXPLANATION OF PROGRAM

The Agricultural Conservation Program (ACP) is authorized in sections 7 to 15, 16(a), 16(f), and 17 of the Soil Conservation and Domestic Allotment Act of 1936, as amended and supplemented (16 U.S.C. 590g-590o, 590p(a), 590p(f), and 590q), and sections 1001-1004, 1006-1008, and 1010 of the Agricultural Act of 1970, as added by the Agriculture and Consumer Protection Act of 1973 (16 U.S.C. 1501-1504, 1506-1508, and 1510), section 1501 of the Food and Agriculture Act of 1977 (P.L. 95-113), and section 259 of the Energy Security Act of 1980 (P.L. 96-294).

The ACP is administered by ASCS through the farmer-elected committee system. The program is a joint effort by Government and landowners to restore and protect basic land and water resources. Objectives include helping to ensure a continuous, adequate supply of food and fiber; improving water quality in rural America; facilitating resource management systems; and achieving national priorities reflected in the National Environmental Policy Act of 1969, the 1982 National Program for Soil and Water Conservation and related Resources Conservation Act Appraisal updates.

1989 Program

1. Program Direction. The 1989 ACP will be directed toward congressional and executive objectives through continued emphasis on specific enduring practices to solve the most critical conservation problems and to meet water quality goals. Treatment of farmland, rangeland, and pastureland eroding at greater than the soil loss tolerance (T) will be of primary concern.
 - Annual Agreements. \$151 million will be earmarked for cost-sharing of annual agreements and will be allocated to the States for this purpose.
 - Long-Term Agreements. \$20 million will be allocated to the States specifically for this purpose. States also have the option of using annual agreement funds for long-term agreements.
 - Variable Cost-Share Levels. Under this program, cost-share levels are established for erosion control practices on the basis of the severity of the erosion problem and the amount of soil saved. In fiscal year 1988 a total of 391 counties participated in this voluntary project. Results indicate that there are improvements in the cost effectiveness of practices applied under the program. Based on these results, \$2 million will be allocated to continue the program in fiscal year 1989.
 - Water Quality Projects. Approximately \$8 million will be allocated to States for cost-sharing for ACP practices that will produce water quality benefits.
 - Method of Allocation. In accordance with administrative policy, the proportionate share of funds allocated to any State for annual agreements will not be reduced more than 1 percent from the fiscal year 1988 distribution. Distribution to the States will be made according to their conservation needs, as determined by the Secretary.
 - Technical Assistance. \$1.8 million is available to the Forest Service for technical assistance relating to forestry practices.
2. Program Development. State and county programs are developed through a process whereby county committees submit recommendations through the State committees to the Secretary. Practices available to a county committee include all those previously approved by the Secretary plus any other practice that a county committee considers necessary to solve a local conservation problem and that is approved by the State committee and the Secretary or his designee.

3. Practices. Under the 1989 ACP, cost effective practices such as vegetative cover, terraces, and sod waterways, which result in significant conservation of soil and water improved water quality, or other improvements in the environment, will be encouraged.

Practices that are not enduring or do not provide enduring benefits will not be a part of the program. Other practices excluded from the national program include practices that are primarily production oriented.

JUSTIFICATION OF DECREASE

A decrease of \$168,935,000 for cost-share assistance to agricultural producers (\$176,935,000 available in fiscal year 1989).

Need for Change. Due to the need to reduce the Federal deficit, no additional funds to support traditional ACP soil or water conservation are proposed for fiscal year 1990. Funding from State, local, and private sources, which account for a substantial portion of the total conservation investment, would permit continuation of higher priority conservation measures on the Nation's agricultural lands.

Nature of Change. The requested level of \$8 million would fund priority water quality initiatives, including:

- USDA Water Quality Demonstration Projects. In support of the Department's coordinated water quality initiatives, a total of \$900 thousand would be allocated to the States of California, Florida, Maryland, Minnesota, Nebraska, North Carolina, Texas and Wisconsin to provide ACP cost-sharing in eight selected USDA water quality demonstration project areas.
- USDA Hydrologic Units. The remaining \$7.1 million would be available for ACP cost-sharing in high priority hydrologic units to be jointly selected by ASCS, SCS, and related USDA agencies.

No new traditional soil or water conservation activity would be initiated. Practices for which funds were previously obligated would be completed. Existing long-term agreements would be honored.

The following tables show (a) outlays for fiscal year 1988 and (b) geographic breakdown of obligations for fiscal years 1988-1990.

Agricultural Conservation Program
Fiscal Year 1988 Outlays by State

State	Outlays
Alabama	\$4,865,531
Alaska	153,006
Arizona	2,053,368
Arkansas	5,009,224
California	5,547,948
Colorado	4,122,825
Connecticut	403,726
Delaware	321,856
Florida	3,560,490
Georgia	5,238,140
Hawaii	393,770
Idaho	4,012,129
Illinois	7,471,371
Indiana	3,886,922
Iowa	9,576,537
Kansas	6,371,266
Kentucky	5,624,379
Louisiana	3,738,509
Maine	2,727,689
Maryland	1,168,385
Massachusetts	488,606
Michigan	4,600,473
Minnesota	5,027,754
Mississippi	6,631,498
Missouri	9,210,663
Montana	7,068,376
Nebraska	6,146,709
Nevada	966,510
New Hampshire	614,352
New Jersey	539,697
New Mexico	2,235,618
New York	5,612,852
North Carolina	4,372,519
North Dakota	3,747,519
Ohio	3,579,279
Oklahoma	4,752,085
Oregon	3,956,952
Pennsylvania	3,875,574
Puerto Rico	647,476
Rhode Island	73,351
South Carolina	2,347,689
South Dakota	3,402,343
Tennessee	4,425,428
Texas	17,592,653
Utah	3,833,014
Vermont	1,106,412
Virginia	3,655,291
Virgin Islands	16,683
Washington	3,893,006
West Virginia	2,228,532
Wisconsin	3,363,263
Wyoming	3,203,489
Undistributed	6,651
ASCS Subtotal (Includes SCS Tech. Assistance)	199,469,388
FS Technical Assistance	3,271,147
TOTAL	\$202,740,535

Agricultural Conservation Program
Geographic Breakdown of Obligations
Fiscal Year 1988 and Estimated Fiscal Years 1989 and 1990

State	1988 Actual	1989 Estimated	1990 Estimated
Alabama	\$5,275,513	\$5,629,686	--
Alaska	9,082	916,191	--
Arizona	2,032,863	2,746,465	--
Arkansas	4,571,055	4,684,290	--
California	4,789,576	5,988,081	--
Colorado	5,061,845	4,762,974	--
Connecticut	436,099	335,458	--
Delaware	254,980	179,402	--
Florida	3,358,731	4,919,013	--
Georgia	5,314,552	5,609,346	--
Guam	34,434	65,566	--
Hawaii	559,049	920,469	--
Idaho	3,600,791	3,497,965	--
Illinois	6,249,443	6,567,095	--
Indiana	3,622,220	5,017,763	--
Iowa	7,380,391	6,679,709	--
Kansas	5,685,890	5,852,419	--
Kentucky	4,886,461	4,691,689	--
Louisiana	3,680,691	3,381,256	--
Maine	2,436,292	2,544,187	--
Maryland	1,108,417	939,035	--
Massachusetts	502,400	551,414	--
Michigan	5,169,567	4,906,264	--
Minnesota	4,442,235	10,288,476	--
Mississippi	5,577,078	5,560,145	--
Missouri	8,178,341	8,593,613	--
Montana	9,102,647	4,399,632	--
Nebraska	5,343,077	4,514,169	--
Nevada	838,687	803,235	--
New Hampshire	662,129	893,196	--
New Jersey	568,984	810,097	--
New Mexico	1,507,035	3,259,828	--
New York	5,453,462	4,684,477	--
North Carolina	4,402,052	4,483,684	--
North Dakota	4,857,634	4,919,839	--
N. Mariana Islands	49,737	60,263	--
Ohio	4,203,568	4,636,742	--
Oklahoma	4,796,319	4,704,470	--
Oregon	4,294,740	3,955,563	--
Pennsylvania	3,239,855	5,751,524	--
Puerto Rico	547,713	571,948	--
Rhode Island	17,334	101,989	--
South Carolina	2,625,283	2,707,076	--
South Dakota	4,382,107	3,332,681	--
Tennessee	3,693,562	3,996,135	--
Texas	17,808,745	19,165,326	--
Utah	3,042,536	2,374,966	--
Vermont	1,795,094	1,310,002	--
Virginia	3,686,686	3,332,528	--
Virgin Islands	5,695	35,208	--
Washington	4,618,596	6,716,697	--
West Virginia	3,058,161	1,989,415	--
Wisconsin	3,550,812	8,269,984	--
Wyoming	4,197,305	1,867,317	--
Undistributed	34,517	17,233,595 1/	8,000,000
ASCS Subtotal (Includes SCS Tech. Assistance)	196,602,068	226,709,557	8,000,000
FS Technical Assistance	1,185,454	1,769,350	--
Total, Available or Estimate	\$197,787,522	\$228,478,907	\$8,000,000

1/ Includes allocations to be issued for water quality and variable cost-share projects, and the national reserve. State water quality plans were submitted for review and approval in the first quarter of 1989.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include proposed changes in the language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Colorado River Basin Salinity Control Program

- 1, 2 For necessary expenses for carrying out [the purposes of] a voluntary
 3 cooperative salinity control program pursuant to section 202(c) of title II
 of the Colorado River Basin Salinity Control Act, as amended (43 U.S.C.
 3, 4 1592(c)), [to be used to reduce salinity in the Colorado River and to enhance
 the supply and quality of water available for use in the United
 5 States and the Republic of Mexico, \$5,452,000] \$10,420,000, to be used for
 investigations and surveys, for technical assistance in developing
 conservation practices and in the preparation of salinity control plans, for
 the establishment of on-farm irrigation management systems, including related
 lateral improvement measures, for making cost-share payments to agricultural
 landowners and operators, Indian tribes, irrigation districts and
 associations, local governmental and non-governmental entities, and other
 landowners to aid them in carrying out approved conservation practices as
 determined and recommended by the county committees, approved by the
 State committees and the Secretary, and for associated costs of program
 planning, information and education, and program monitoring and evaluation:
 Provided, That the Soil Conservation Service shall provide technical
 assistance and the Agricultural Stabilization and Conservation Service shall
 provide administrative services for the program, including but not limited
 to, the negotiation and administration of agreements and the disbursement of
 payments: Provided further, That such program shall be coordinated with the
 regular Agricultural Conservation Program and with research programs of other
 agencies.

The first change in language is a grammatical change required as a result of the second change.

The second change indicates that this discretionary program is a voluntary cooperative effort among Federal and State governments and individual farmers and landowners.

The third change is a technical change referencing the appropriate subsection of the Act which authorizes the Secretary of Agriculture to operate this program.

The fourth change deletes a redundant statement of program objective which is found in the referenced authorizing legislation and revises the appropriation to reflect the amount requested for fiscal year 1990.

The fifth change is a grammatical change required as a result of the fourth change.

Colorado River Basin Salinity Control Program

Appropriations Act, 1989	\$5,452,000
Budget Estimate, 1990	10,420,000
Increase in Appropriation	<u><u>+\$4,968,000</u></u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Cost-sharing and technical assistance to landowners and others.....	<u>\$5,452,000</u>	<u>+\$4,968,000</u>	<u>\$10,420,000</u>

PROJECT STATEMENT
(On basis of appropriation)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Increase</u>	<u>1990 Estimated</u>
Cost-sharing and technical assistance to landowners and others.....	\$4,904,000	\$5,452,000	+\$4,968,000	\$10,420,000
Total, appropriation or estimate.....	<u>\$4,904,000</u>	<u>\$5,452,000</u>	<u>+\$4,968,000</u>	<u>\$10,420,000</u>

PROJECT STATEMENT
(On basis of available funds)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Increase</u>	<u>1990 Estimated</u>
Cost-sharing and technical assistance to landowners and others.....	\$5,612,027	\$6,373,486	+\$4,046,514	\$10,420,000
Unobligated balance brought forward from prior years..	-1,629,513	-921,486	+921,486	--
Unobligated balance carried forward to next year.....	921,486	--	--	--
Total, appropriation or estimate.....	<u>\$4,904,000</u>	<u>\$5,452,000</u>	<u>+\$4,968,000</u>	<u>\$10,420,000</u>

EXPLANATION OF PROGRAM

The Colorado River Basin Salinity Control Program (CRSC) is authorized by section 202(c) of Title II of the Colorado River Basin Salinity Control Act of 1974 (43 U.S.C. 1592c), as amended. Salinity problems in the Colorado River Basin are a critical concern to the seven Basin States -- Arizona, California, Colorado, Nevada, New Mexico, Utah, and Wyoming -- and to the Republic of Mexico. Emphasis on Colorado River salinity control supports the Nation's commitment to the 1973 International Boundary and Water Commission Agreement concerning the quality of water delivered downstream to users in the U.S. and Mexico.

The objectives of the program are to provide financial and technical assistance to:

- Identify salt source areas in the Colorado River Basin (SCS).
- Develop project plans for conservation practices to reduce salt loads in the Colorado River (SCS).
- Install conservation practices through cost-sharing assistance (ASCS).
- Carry out research, education, and demonstration activities (ES, ARS, and CSRS).
- Carry out monitoring and evaluation activities (SCS).

The U.S. Department of the Interior (USDI) has estimated that irrigated agriculture contributes about 37 percent of the total salt load to the Colorado River above the Imperial Dam. Generally, on-farm irrigation and water distribution systems, especially in the Upper Basin, are not efficient and have a high level of surface runoff, excessive deep percolation, and high amounts of seepage from irrigation canals and laterals. Salt loading occurs as seepage and deep percolation leach salts from the soil and underlying geologic formations into the river. Salt concentrations are caused by evaporation, evapo-transpiration of irrigated crops, and export of water for other uses leaving salt in the soil and remaining water.

The Colorado River serves as the primary source of water for parts of the seven Basin States and is used and reused for crop irrigation, hydro-electric power generation, and municipal and industrial purposes. Increases in the salinity of the water cause considerable economic losses. Salinity build-up in the soil root zones reduces or eliminates economic returns from growing agricultural products. Excessive salinity in groundwater, lakes, streams, and rivers reduces or precludes the use of this water by man or wildlife.

The CRSC Program applies to lands that are in an identified salt source area, and are owned or controlled by private individuals, Indian tribes, irrigation districts or companies, or State or local governments. Landowners or operators are eligible to participate in the CRSC Program if all of the following apply:

- Their lands or activities contribute to the project area's salt loading of the Colorado River;
- Their lands or activities in a project area are designated as critical areas or salt sources;
- The Conservation District approves the Salinity Control Plan covering the critical areas and salt sources; and
- The participant meets any minimum acreage requirements established by the county ASC committee.

County ASC committees may enter into CRSC contracts with individuals or entities on eligible land. Under these contracts, ASCS will agree to share with the participant the cost of establishing necessary salinity reduction practices. In return, a participant must agree to carry out a cost-effective salinity control plan developed for the participant's land. The salinity control plan (Project Implementation Plan) includes the salinity reduction practice or practices that must be installed as well as a schedule of completion dates.

Cost-share levels up to 70 percent of the total cost are authorized for the CRSC Program. Levels exceeding the on-farm and offsite benefits must be approved by agency headquarters with USDA Salinity Control Coordinating Committee concurrence. The combined cost-shares by Federal, State, and others shall not exceed 100 percent of the cost of carrying out a salinity reduction practice. Cost-share assistance levels vary among projects.

Reimbursement of 30 percent of ASCS cost-share funds will be billed by USDI and paid by the States to Treasury. The Upper Basin States and Lower Basin States will contribute 15 percent and 85 percent, respectively, of the 30-percent share to be repaid.

Salinity reduction practices (SRP's) for which cost-sharing may be authorized are:

- SRP 1 ON-FARM SALT LOAD REDUCTION: To reduce salt contributions by conserving or reducing deep percolation of water and controlling erosion, where erosion is contributing significantly to the salt loading of water.
- SRP 2 OFF-FARM SALT LOAD REDUCTION: To reduce salt contributions by conserving or reducing seepage of water and controlling erosion, where erosion is contributing significantly to the salt loading of water.
- SRP 3 PERMANENT WILDLIFE HABITAT: To protect, restore, or develop permanent wildlife habitat cover or food, to replenish wildlife.
- SRP 4 SHALLOW WATER AREAS FOR WILDLIFE: To develop or restore shallow water areas to replace the associated wildlife resources.
- SRP SPECIAL SALINITY REDUCTION PRACTICES: Projects may develop permanent salinity reduction and fish and wildlife practices needed to solve a significant, unique local problem that has been designated high priority in the Project Implementation Plan and for which national program practices are not adequate.

The fiscal year 1989 appropriation of \$5.452 million will be distributed as follows: \$3.441 million to ASCS for cost-sharing; \$1.738 million to Soil Conservation Service for technical assistance, monitoring and evaluation, and planning studies; and \$273 thousand to Extension Service for information and education.

JUSTIFICATION OF INCREASE

An increase of \$4,968,000 for Colorado River Basin Salinity Control Program payments to land owners and others (\$5,452,000 available in fiscal year 1989.)

Need for Change. The accelerated expansion of this program in fiscal year 1990 will promote the Department's high priority water quality initiative.

Further, emphasis on Colorado River salinity control supports the water quality objectives of the recent RCA appraisal update and the Nation's commitment to the 1973 International Boundary and Water Commission Agreement concerning the quality of water delivered downstream to users in the U.S. and the Republic of Mexico.

The fiscal year 1990 request of \$10,420,00 was closely coordinated with the respective States, since the level cannot exceed each State's ability to reimburse the Federal Government for the State portion of the program costs. The States therefore support the recommended level, as do the Department of Agriculture Salinity Control Coordinating Committee, technical assistance agencies, and the Department of the Interior (USDI). All agree that increased funding of the program is warranted to reduce further need for expensive structural measures to correct salinity problems in the Colorado River. Federal funding must be provided in order to take advantage of the State funds available for reimbursement.

Application of water conservation measures on 1,500 acres will reduce the salt load at Imperial Dam by 90,000 tons per year at this accelerated level.

Nature of change: In fiscal year 1990 \$7.2 million will be used to accelerate implementation of two on-going projects in Utah and Colorado; \$2.4 million will be used to begin two new projects -- Lower Gunnison #1, Colorado, and Big Sandy, Wyoming; \$0.7 million will be used for pre-implementation activities for two other new projects -- Moapa Valley, Nevada, and McElmo Creek, Colorado; and \$0.1 million will be used for planning studies in the Price-San Rafael, Utah, project area. Federal cost-sharing will be performed by ASCS; planning studies, technical assistance, and monitoring and evaluation by SCS; and information and education by ES. Involvement of irrigation districts, universities, and other units of State and local governments will continue.

The following tables show (a) outlays for fiscal year 1988 and (b) geographic breakdown of obligations for fiscal years 1988-90.

Colorado River Basin Salinity Control Program

Fiscal Year 1988 Outlays by State

State	Outlays
Colorado	\$344,137
Utah	1,584,503
SCS & ES Technical Assistance	1,640,000
Undistributed	-508
Total	\$3,568,132

Colorado River Basin Salinity Control Program
Geographic Breakdown of Obligations
Fiscal Year 1988 and Estimated Fiscal Years 1989 and 1990

State	1988 Actual	1989 Estimated	1990 Estimated
Colorado	\$1,624,622	\$2,162,615	\$2,500,000
Utah	2,063,892	1,751,871	3,000,000
Wyoming	--	448,000	657,000
SCS Technical Assistance	1,640,000	1,738,000	3,877,000
ES Information/ Education	175,000	273,000	386,000
Undistributed	108,513	--	--
Total, Available or Estimate	\$5,612,027	\$6,373,486	\$10,420,000

NOTE: Thirty percent of ASCS cost-share obligations will be reimbursed by the States to Treasury.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets):

Water Bank Program

[For necessary expenses to carry into effect the provisions of the Water Bank Act (16 U.S.C. 1301-1311), \$9,000,000, to remain available until expended.]

The change deletes the appropriation language for the Water Bank Program since no fiscal year 1990 funds are proposed for this program under current law. A Water Bank Program under proposed legislation is shown on the following pages.

Water Bank Program -- Current Law

Appropriations Act, 1989	\$9,000,000
Budget Estimate, 1990	--
Decrease in Appropriation	<u><u>-\$9,000,000</u></u>

Water Bank Program -- Proposed Legislation

Budget Estimate, Current Law, 1990	--
Change due to Proposed Legislation	+\$8,371,000
Net Request, President's 1990 Budget Request	<u><u>\$8,371,000</u></u>

SUMMARY OF INCREASES AND DECREASES -- CURRENT LAW
 (On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Annual payments to landowners and operators	<u>\$9,000,000</u>	<u>-\$9,000,000</u>	<u>--</u>

PROJECT STATEMENT -- CURRENT LAW
 (On basis of appropriation)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Decrease</u>	<u>1990 Estimated</u>
Annual payments to land- owners and operators	\$8,371,000	\$9,000,000	-\$9,000,000	--
Total, appropriation or estimate	<u>\$8,371,000</u>	<u>\$9,000,000</u>	<u>-\$9,000,000</u>	<u>--</u>

PROJECT STATEMENT -- CURRENT LAW
 (On basis of available funds)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Increase or Decrease</u>	<u>1990 Estimated</u>
Annual payments to land- owners and operators	\$9,230,260	\$10,409,078	-\$10,409,078	--
Unobligated balance brought forward from prior years .	-2,268,338	-1,409,078	+1,409,078	--
Unobligated balance carried forward to next year	1,409,078	--	--	--
Total, appropriation or estimate	<u>\$8,371,000</u>	<u>\$9,000,000</u>	<u>-\$9,000,000</u>	<u>--</u>

EXPLANATION OF PROGRAM

The appropriation "Water Bank Program" of the Agricultural Stabilization and Conservation Service funds the activities authorized by the Water Bank Act, Public Law 91-559, approved December 19, 1970, as amended by Public Law 96-182, approved January 2, 1980.

Its purpose is to conserve water, preserve, maintain, and improve migratory waterfowl habitat and other wildlife resources, and secure other environmental benefits through long-term land use agreements with landowners and operators in important migratory waterfowl nesting, breeding, and feeding areas.

The Secretary enters into agreements with landowners and operators for the conservation of specified wetlands. The agreements are for 10 years with provision for renewal for additional periods. During the period of the agreement, the landowner agrees not to drain, burn, fill or otherwise destroy the wetland character of such areas. The Secretary makes annual payments to the owner or operator at a rate determined at the time of agreement and subject to review after 4 years and at the time of renewal.

The Secretary carries out the program in coordination with wetlands programs administered by the Secretary of the Interior and utilizes the technical and related services of appropriate State, Federal, and private conservation agencies to ensure coordination.

The 1989 program level of \$9,000,000 is expected to bring 48,069 acres under agreement. This will be accomplished through the signing of approximately 441 agreements with land owners.

JUSTIFICATION OF DECREASE

A decrease of \$9,000,000 for 10-year Water Bank Program rental payments to landowners and operators (\$9,000,000 available in fiscal year 1989).

Need for Change. No funding is requested under current law. Legislation will propose program reform so that landowners may receive a one-time payment in exchange for a permanent easement on their wetlands or adjacent lands. This action will contribute to deficit reduction over the long run by replacing payments under 10-year contracts with a one-time cost to the government to purchase permanent easements.

Nature of Change. Under current law, no additional acreage would be brought under agreement in fiscal year 1990. Under proposed legislation, program participants would be eligible to receive a one-time payment in exchange for a permanent easement on wetlands or adjacent lands. This payment would be offered in lieu of 10-year contracts under current law. No new 10-year Water Bank contracts would be authorized in 1990.

The following table shows outlays for fiscal year 1988.

Water Bank Program
Fiscal Year 1988 Outlays by State

State	Outlays
Arkansas	\$385,985
California	512,628
Louisiana	513,421
Maine	23,749
Michigan	70,800
Minnesota	1,827,716
Mississippi	557,459
Montana	213,399
Nebraska	160,824
North Dakota	2,833,040
South Dakota	1,237,270
Wisconsin	458,843
Undistributed	-51,413
TOTAL	\$8,743,721

Agricultural Stabilization and Conservation Service
Water Bank Program
Summary of Proposed Legislation

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

<u>Item of Change</u>	<u>1990</u>	
	<u>Current Law</u>	<u>Program Changes President's Request</u>
Payments for permanent conservation easements on wetlands and adjacent lands.....	<u>--</u>	<u>+\$8,371,000 \$8,371,000</u>
Total Available.....	<u><u>--</u></u>	<u><u>+\$8,371,000 \$8,371,000</u></u>

Explanation of Proposed Legislation

The Water Bank Program has provided annual payments to producers who enter into 10-year contracts in which they agree to preserve eligible wetlands and adjacent lands. This proposal would terminate the authority to enter into such contracts and instead authorize the purchase of conservation easements. A one-time payment would be made to Water Bank Program participants in exchange for a permanent easement on eligible lands.

Water Bank Program
Geographic Breakdown of Obligations
Fiscal Year 1988 and Estimated Fiscal Years 1989 and 1990

State	1988 Actual	1989 Estimated	1990 Estimated
Arkansas	\$403,632	\$495,297	--
California	399,852	637,859	--
Louisiana	776,342	689,534	--
Maine	-1,003	20,343	--
Michigan	8,841	23,538	--
Minnesota	1,871,949	2,205,267	--
Mississippi	738,488	770,408	--
Montana	138,192	203,138	--
Nebraska	96,820	277,991	--
North Dakota	3,008,922	3,255,008	--
South Dakota	1,439,531	1,147,311	--
Wisconsin	412,668	621,043	--
Undistributed	-63,974	62,341	\$8,371,000
Total, Available or Estimate	\$9,230,260	\$10,409,078	\$8,371,000

NOTE: Negative obligations represent deobligation of prior years' obligations.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows
(deleted matter enclosed in brackets):

Emergency Conservation Program

[For necessary expenses to carry into effect the program authorized in sections 401, 402, and 404 of Title IV of the Agricultural Credit Act of 1978 (16 U.S.C. 2201-2205), \$5,000,000, to remain available until expended, as authorized by 16 U.S.C. 2204.]

The change deletes the appropriation language for the Emergency Conservation Program since no funds are proposed for this program in fiscal year 1990.

Emergency Conservation Program

Appropriations Act, 1989	\$5,000,000
Budget Estimate, 1990	--
Decrease in Appropriation	<u><u>-\$5,000,000</u></u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Emergency cost-sharing and technical assistance to farmers	<u>\$5,000,000</u>	<u>-\$5,000,000</u>	<u>--</u>

PROJECT STATEMENT
(On basis of appropriation)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Decrease</u>	<u>1990 Estimated</u>
Emergency cost-sharing and technical assistance to farmers	\$1,000,000	\$5,000,000	-\$5,000,000	--
Total, appropriation or estimate	<u>\$1,000,000</u>	<u>\$5,000,000</u>	<u>-\$5,000,000</u>	<u>--</u>

PROJECT STATEMENT
(On basis of available funds)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Increase or Decrease</u>	<u>1990 Estimated</u>
Emergency cost-sharing and technical assistance to farmers	\$5,927,826	\$13,020,580	-\$13,020,580	--
Unobligated balance brought forward from prior years .	-12,948,406	-8,020,580	+8,020,580	--
Unobligated balance carried forward to next year	8,020,580	--	--	--
Total, appropriation or estimate	<u>\$1,000,000</u>	<u>\$5,000,000</u>	<u>-\$5,000,000</u>	<u>--</u>

EXPLANATION OF PROGRAM

The appropriation "Emergency Conservation Program" of the Agricultural Stabilization and Conservation Service funds the activities authorized by the Agricultural Credit Act of 1978 (P.L. 95-334). Under the program the Government shares the cost of carrying out approved practices to assist and encourage farmers to rehabilitate farmland damaged by natural disasters.

Assistance is available when, as a result of wind, floods, hurricanes or other natural disasters, new conservation problems are created which (1) if not treated, will impair or endanger the land, (2) materially affect the productive capacity of the land, (3) represent damage that is unusual in character and, except for wind erosion, is not the type that would recur frequently in the same area, and (4) will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use. Also, payments may be made to agricultural producers who carry out emergency water conservation or water enhancing measures during periods of severe drought as determined by the Deputy Administrator, State and County Operations, ASCS.

Cost-sharing may be offered for emergency conservation measures only to replace or restore a practice or to restore the land to a condition similar to that existing prior to the natural disaster, and may not be offered for the solution of conservation problems existing prior to the disaster involved.

Emergency conservation measures or practices for which cost-sharing may be authorized are:

Practice EC1. Removing debris from farmland, including farmsteads and roadways.

Practice EC2. Grading, shaping, releveling or similar measures to restore farmland.

Practice EC3. Restoring permanent fences.

Practice EC4. Restoring structures and other installations.

Practice EC5. Emergency wind erosion control measures.

Practice EC6. Drought emergency measures.

Practice EC7. Other emergency conservation measures.

Practices EC1 through EC5 are subject to approval by the ASC county committee. Practices EC6 and EC7 additionally require prior approval by the Deputy Administrator, State and County Operations.

The 1989 program is expected to rehabilitate approximately 313,675 acres of farmland damaged by natural disaster.

JUSTIFICATION OF DECREASE

A decrease of \$5,000,000 for Emergency Conservation Program payments for cost-sharing and technical assistance to farmers (\$5,000,000 available in fiscal year 1989).

Need for Change. Due to the need to reduce the Federal deficit, no funding is proposed for this program in fiscal year 1990.

Nature of Change. No new activity would be initiated under this program in fiscal year 1990. Existing contracts for which funds were previously obligated would be honored.

The following tables show (a) outlays by State, fiscal year 1988 and (b) geographic breakdown of obligations for fiscal years 1988-90.

Emergency Conservation Program
Fiscal Year 1988 Outlays by State

State	Outlays
Alabama	\$50,600
California	269,621
Colorado	106
Connecticut	14,384
Florida	2,245
Georgia	72,543
Hawaii	64,466
Idaho	235,863
Illinois	827
Iowa	910,676
Kansas	43,796
Louisiana	196,694
Maine	90,035
Maryland	1,000
Massachusetts	60,620
Michigan	298,040
Mississippi	-9,069
Missouri	411,673
Montana	665,196
Nebraska	435,062
Nevada	16,979
New Hampshire	3,883
New Mexico	14,672
New York	8,026
Ohio	179,228
Oklahoma	247,630
Oregon	66,276
Pennsylvania	10,817
South Dakota	19,976
Tennessee	1,362
Texas	282,984
Utah	34,690
Vermont	19,083
Virginia	7,861
Washington	15,777
West Virginia	10,670
Wisconsin	226
Wyoming	8,935
Undistributed	-109
TOTAL	\$4,763,344

Emergency Conservation Program
Geographic Breakdown Of Obligations
Fiscal Year 1988 and Estimated Fiscal Years 1989 and 1990

State	1988 Actual	1989 Estimated	1990 Estimated
Alabama	\$12,379	--	--
Arkansas	--	\$100,000	--
California	156,816	378,326	--
Connecticut	3,695	1	--
Florida	24,660	5,340	--
Georgia	615,523	359,477	--
Hawaii	89,077	173,048	--
Idaho	11,987	91,252	--
Illinois	138,451	487,496	--
Iowa	918,912	1,202,390	--
Kansas	-6,587	81,085	--
Kentucky	--	800,000	--
Louisiana	201,189	43,811	--
Maine	21,025	20,831	--
Maryland	1,000	19,000	--
Massachusetts	-38,548	--	--
Michigan	233,629	29,593	--
Mississippi	5,013	55	--
Missouri	54,753	561,555	--
Montana	1,000,738	950,121	--
Nebraska	271,998	169,052	--
Nevada	76,769	147,033	--
New Hampshire	2,602	-1	--
New Mexico	24,712	211,928	--
New York	653	--	--
North Dakota	1,750	593,886	--
Ohio	834,485	628,913	--
Oklahoma	-26,973	--	--
Oregon	12,771	234,466	--
Pennsylvania	--	10,042	--
South Dakota	209,463	393,441	--
Tennessee	26,604	33,396	--
Texas	940,952	623,896	--
Utah	34,690	17,310	--
Vermont	1,000	100,000	--
Virginia	7,653	89,579	--
Washington	15,826	--	--
West Virginia	67,759	104,241	--
Wisconsin	-1,089	4,205	--
Wyoming	24,485	25,515	--
Undistributed	41,996	4,330,297	--
Total, Available or Estimate (includes SCS Technical Assistance)	\$5,927,826	\$13,020,580	--

NOTE: Negative obligations represent deobligation of prior years' obligations.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets):

Forestry Incentives Program

[For necessary expenses, not otherwise provided for, to carry out the program of forestry incentives, as authorized in the Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2101), including technical assistance and related expenses, \$12,446,000, to remain available until expended, as authorized by that Act.]

The change deletes the appropriation language for the Forestry Incentives Program since no funds are proposed for this program in fiscal year 1990.

Forestry Incentives Program

Appropriations Act, 1989	\$12,446,000
Budget Estimate, 1990	--
Decrease in Appropriation	<u><u>-\$12,446,000</u></u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Cost-sharing and technical assistance to landowners	<u>\$12,446,000</u>	<u>-\$12,446,000</u>	<u>--</u>

PROJECT STATEMENT
(On basis of appropriation)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Decrease</u>	<u>1990 Estimated</u>
Cost-sharing and technical assistance to landowners	\$11,891,000	\$12,446,000	-\$12,446,000	--
Total, appropriation or estimate	<u>\$11,891,000</u>	<u>\$12,446,000</u>	<u>-\$12,446,000</u>	<u>--</u>

PROJECT STATEMENT
(On basis of available funds)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Increase or Decrease</u>	<u>1990 Estimated</u>
Cost-sharing and technical assistance to landowners .	\$11,814,226	\$14,203,028	-\$14,203,028	--
Unobligated balance brought forward from prior years .	-1,680,254	-1,757,028	+1,757,028	--
Unobligated balance carried forward to next year	1,757,028	--	--	--
Total, appropriation or estimate	<u>\$11,891,000</u>	<u>\$12,446,000</u>	<u>-\$12,446,000</u>	<u>--</u>

EXPLANATION OF PROGRAM

The appropriation "Forestry Incentives Program" of the Agricultural Stabilization and Conservation Service funds the activities authorized by the Cooperative Forestry Assistance Act of 1978. Its purpose is to encourage the development, management, and protection of nonindustrial, private forest lands to increase the production of timber and enhance other forest resources.

The program is carried out through annual and long-term cost-sharing agreements with private landowners who improve a stand of forest trees or plant trees.

Under the 1989 program, cost-sharing and technical assistance totaling \$12,446,000 will be provided to plant trees on approximately 175,000 acres and to improve timberstand on approximately 33,900 acres of forest.

JUSTIFICATION OF DECREASE

A decrease of \$12,446,000 for cost-sharing and technical assistance to landowners (\$12,446,000 available in fiscal year 1989).

Need for Change. No funding is proposed for this program in 1990 due to the need to reduce the Federal deficit. Also, this proposal is consistent with the Administration's policy of privatization since the potential for a long-term timber shortage has been reduced and is not sufficient to justify the current use of scarce Federal resources in an industry where the rate of return on investment is substantial enough to attract private investors.

Nature of Change. No new activity will be initiated under this program. Practices for which funds were previously obligated will be completed. Existing long-term agreements will be honored.

The following tables show (a) outlays for fiscal year 1988 and (b) geographic breakdown of obligations for fiscal years 1988-90.

Forestry Incentives Program
Fiscal Year 1988 Outlays by State

State	Outlays
Alabama	\$767,014
Arizona	7,928
Arkansas	563,853
California	132,412
Colorado	4,413
Connecticut	1,026
Delaware	63,842
Florida	889,231
Georgia	1,269,031
Idaho	11,370
Illinois	26,525
Indiana	58,818
Iowa	18,964
Kansas	609
Kentucky	57,834
Louisiana	681,281
Maine	29,354
Maryland	167,246
Massachusetts	37,851
Michigan	73,508
Minnesota	49,959
Mississippi	660,206
Missouri	32,932
Nebraska	211
New Hampshire	37,425
New Jersey	1,025
New Mexico	677
New York	91,030
North Carolina	625,564
Ohio	149,971
Oklahoma	54,210
Oregon	529,983
Pennsylvania	76,598
Puerto Rico	23,670
Rhode Island	3,941
South Carolina	891,268
South Dakota	11,264
Tennessee	121,019
Texas	523,667
Vermont	32,172
Virginia	684,284
Washington	377,015
West Virginia	61,413
Wisconsin	117,174
Wyoming	29,634
Undistributed	434,066
ASCS, Subtotal	10,482,488
FS Technical Assistance	1,891,000
TOTAL	\$12,373,488

Forestry Incentives Program
Geographic Breakdown of Obligations
Fiscal Year 1988 and Estimated Fiscal Years 1989 and 1990

State	1988 Actual	1989 Estimated	1990 Estimated
Alabama	\$961,218	\$936,134	--
Alaska	--	10,000	--
Arizona	4,464	5,745	--
Arkansas	669,992	745,937	--
California	104,839	242,579	--
Colorado	63,382	-17,867	--
Connecticut	1,922	29,146	--
Delaware	37,138	58,000	--
Florida	909,609	1,338,383	--
Georgia	1,327,640	1,427,093	--
Idaho	41,336	53,569	--
Illinois	-97	98,627	--
Indiana	67,446	114,829	--
Iowa	21,090	25,947	--
Kansas	1,852	16,066	--
Kentucky	78,708	65,714	--
Louisiana	604,060	685,304	--
Maine	43,975	40,483	--
Maryland	151,702	127,000	--
Massachusetts	45,025	41,944	--
Michigan	83,039	95,474	--
Minnesota	47,741	157,141	--
Mississippi	692,837	792,799	--
Missouri	51,874	63,919	--
Montana	2,056	27,553	--
Nebraska	620	33,637	--
Nevada	--	3,854	--
New Hampshire	30,364	61,745	--
New Jersey	-180	25,668	--
New Mexico	1,841	31,581	--
New York	69,456	83,451	--
North Carolina	571,773	737,402	--
Ohio	148,946	165,140	--
Oklahoma	62,870	142,088	--
Oregon	484,985	536,857	--
Pennsylvania	34,136	155,187	--
Puerto Rico	14,006	46,267	--
Rhode Island	1,402	13,427	--
South Carolina	1,044,883	1,067,947	--
South Dakota	13,318	19,839	--
Tennessee	99,415	139,944	--
Texas	565,879	559,362	--
Vermont	22,227	21,941	--
Virginia	684,150	844,316	--
Washington	346,749	355,746	--
West Virginia	52,823	61,565	--
Wisconsin	102,387	294,704	--
Wyoming	68,194	64,098	--
Undistributed	-1,244	310,743	--
ASCS, Subtotal	10,431,848	12,958,028	--
FS Technical Assistance	1,382,378	1,245,000	--
Total, Available or Estimate	\$11,814,226	\$14,203,028	--

NOTE: Negative obligations represent deobligation of prior years' obligations.

Rural Clean Water Program

Appropriations Acts, 1989	--
Budget Estimate, 1990	--
Change in Appropriation	--

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Cost-sharing and technical assistance to farmers	--	--	--

PROJECT STATEMENT
(On basis of appropriation)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Change</u>	<u>1990 Estimated</u>
Cost-sharing and technical assistance to farmers ...	--	--	--	--
Total, appropriation or estimate	--	--	--	--

PROJECT STATEMENT
(On basis of available funds)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Increase or Decrease</u>	<u>1990 Estimated</u>
Cost-sharing and technical assistance to farmers	\$2,108,254	\$233,507	-\$233,507	--
Unobligated balance brought forward from prior years .	-416,221	-233,507	+233,507	--
Recoveries of prior year obligations.....	-1,925,540	--	--	--
Unobligated balance carried forward to next year	233,507	--	--	--
Total, appropriation or estimate	--	--	--	--

EXPLANATION OF PROGRAM

The experimental Rural Clean Water Program is authorized by the Agriculture, Rural Development and Related Agencies Appropriation Acts of 1980 (P.L. 96-108) and 1981 (P.L. 96-528).

The purpose of the program is to develop and test means of controlling agricultural nonpoint source water pollution in rural areas. It provides long-term financial and technical assistance to landowners and operators to improve water quality and meet water quality goals. Under the program, participants agree to install and maintain practices as specified in an approved water quality plan. The effectiveness of the practices in reducing identified pollutants entering a stream or lake or leaving their source is evaluated.

Federal technical assistance is provided by the Soil Conservation Service, Forest Service, Economic Research Service, and the Environmental Protection Agency. Nonfederal technical assistance is provided by local agencies and/or conservation districts.

The experimental program encompasses 21 project areas, which contain a multiplicity of pollution-causing materials (nutrients/fertilizers, toxics/pesticides, organics/bacteria, sediment, dissolved solids, etc.). Recommended project areas were developed by local and State committees and approved by the Secretary of Agriculture in consultation with the Administrator of the Environmental Protection Agency.

Full funding is provided for all projects on a current dollar basis. Application of the construction cost index (from the Department of Commerce Composite of Construction Cost Index, Bureau of the Census, Construction Statistics Division) to the original approvals is used to project future budgetary requirements.

The following tables show (a) geographic breakdown of obligations for fiscal years 1988-1990, (b) outlays by State, fiscal year 1988, and (c) estimated costs by project.

Rural Clean Water Program
Geographic Breakdown of Obligations
Fiscal Year 1988 and Estimated Fiscal Years 1989 and 1990

State	1988 Actual	1989 Estimated	1990 Estimated
Alabama	--	--	--
Delaware	--	--	--
Florida	\$635,840	\$100,000	--
Idaho	--	--	--
Illinois	65,000	--	--
Iowa	--	--	--
Kansas	14,000	--	--
Kentucky	--	--	--
Louisiana	--	--	--
Maryland	--	35,000	--
Massachusetts	--	--	--
Michigan	--	--	--
Minnesota	292,000	--	--
Nebraska	5,155	--	--
Oregon	100,000	--	--
Pennsylvania	183,600	--	--
South Dakota	289,380	89,300	--
Tennessee	--	--	--
Utah	--	--	--
Vermont	584,953	-479,000	--
Virginia	--	--	--
Wisconsin	--	--	--
Undistributed	-61,674	21,193	--
Total, Available or Estimate	\$2,108,254 a/	\$233,507	--

NOTE: Negative obligations represent deobligation of prior years' obligations.

Rural Clean Water Program
Fiscal Year 1988 Outlays by State

State	Outlays
Alabama	\$73,369
Delaware	18,448
Florida	112,040
Idaho	466,166
Illinois	230,989
Iowa	60,330
Kansas	158,867
Kentucky	83,128
Louisiana	306,257
Maryland	406,952
Massachusetts	27,032
Michigan	247,299
Minnesota	299,484
Nebraska	177,975
Oregon	411,282
Pennsylvania	548,890
South Dakota	155,055
Tennessee	249,383
Utah	21,017
Vermont	486,881
Virginia	158,484
Wisconsin	128,658
Undistributed	378,895
TOTAL	\$5,206,881

Rural Clean Water Program Projects

<u>Project</u>	<u>Location</u>	<u>Estimated Costs</u> 1/	<u>Status</u>
Lake Tholocco	Alabama	\$1,918,111	Implemented in 1980. 85% of its critical acres and 96% of its best management practice (BMP) funds are under contract.
Appoquinimink	Delaware	1,023,796	Implemented in 1980. 87% of its critical acres and 97% of its BMP funds are under contract.
Taylor Creek-Nubbin Slough	Florida	1,617,832	Implemented in 1981. 87% of its critical acres and 90% of its BMP funds are under contract.
Lower Kissimmee River	Florida	635,840	Added to Taylor Creek-Nubbin Slough project area in 1988. 41% of its or critical acres and 47% of BMP funds are under contracts.
Rock Creek	Idaho	5,311,086	Implemented in 1980. 74% of its critical acres and 84% of its BMP funds are under contract. Selected as one of five comprehensive monitoring and evaluation (CM&E) projects.
Highland Silver Lake	Illinois	4,049,484	Implemented in 1980. 82% of its critical acres and 91% of its BMP funds are under contract. A CM&E project.
Prairie Rose Lake	Iowa	814,393	Implemented in 1980. 83% of its critical acres and 78% of its BMP funds are under contract.
Upper Wakarusa	Kansas	2,194,056	Implemented in 1980. Has been terminated.
Reelfoot Lake	Kentucky	961,092	Implemented in 1980. 64% of its critical acres and 90% of its BMP funds are under contract.
Bonne Idee	Louisiana	5,236,210	Implemented in 1980. 75% of its critical acres and 88% of its BMP funds are under contract.
Double Pipe Creek	Maryland	4,779,627	Implemented in 1980. 100% of its critical acres and 99% of its BMP funds are under contract.

<u>Project</u>	<u>Location</u>	<u>Estimated Costs</u>	<u>Status</u>
Westport River	Massachusetts	740,953	Implemented in 1981. 61% of its critical acres and 65% of its BMP funds are under contract.
Saline Valley	Michigan	2,617,162	Implemented in 1980. 32% of its critical acres and 96% of its BMP funds are under contract.
Garvin Brook	Minnesota	2,257,844	Implemented in 1981. 32% of its critical acres and 88% of its BMP funds are under contract.
Long Pine Creek	Nebraska	2,484,133	Implemented in 1981. 79% of its critical acres and 74% of its BMP funds are under contract.
Tillamook Bay	Oregon	5,329,457	Implemented in 1981. 98% of its critical acres and 99% of its BMP funds are under contract.
Conestoga Headwaters	Pennsylvania	3,775,577	Implemented in 1981. 39% of its critical acres and 80% of its BMP funds are under contract. A CM&E project.
Oakwood-Lake Poinsett	South Dakota	3,488,927	Implemented in 1981. 56% of its critical acres and 60% of its BMP funds are under contract. A CM&E project.
Reelfoot Lake	Tennessee	4,338,846	Implemented in 1980. 64% of its critical acres and 99% of its BMP funds are under contract.
Snake Creek	Utah	429,811	Implemented in 1980. 100% of its critical acres and 100% of its BMP funds are under contract.
St. Albans Bay	Vermont	5,052,368	Implemented in 1980. 75% of its critical acres and 98% of its BMP funds are under contract. A CM&E project.

<u>Project</u>	<u>Location</u>	<u>Estimated Costs</u>	<u>Status</u>
Nansemond-Chuckatuck	Virginia	2,368,429	Implemented in 1981. 75% of its critical acres and 92% of its BMP funds are under contract.
Lower Manitoowoc	Wisconsin	2,573,145	Implemented in 1980. 58% of its critical acres and 88% of its BMP funds are under contract.
Subtotal		63,998,179	
Technical Assistance, National Association of Conservation Districts		<u>1,821</u>	
TOTAL		<u><u>\$64,000,000</u></u>	

1/ Includes funds for best management practices, information and education, Federal and nonfederal technical assistance, and comprehensive monitoring and evaluation.

PASSENGER MOTOR VEHICLES

The 1990 Budget Estimates do not propose any purchases or replacements of passenger motor vehicles.

The passenger motor vehicles are used primarily by the ASCS County Executive Directors in Puerto Rico and Hawaii. Because of the mountainous areas, a great number of farms cannot be reached by paved roads and access to such farms is mainly dirt roads or paths. During the rainy seasons, such farms are inaccessible except to four-wheel drive vehicles. Even under more favorable conditions in Puerto Rico and Hawaii, jeeps are needed to reach the fields on individual farms.

Without adequate vehicles, essential farmer contact necessitated by program requirements cannot be maintained by the ASCS county offices.

Age and mileage data for passenger motor vehicles on hand as of September 30, 1988, are as follows:

<u>Age Data</u>			<u>Mileage Data</u>		
<u>Age-Year Model</u>	<u>Number of Vehicles</u>	<u>Percent of Total</u>	<u>Lifetime Mileage (thousands)</u>	<u>Number of Vehicles</u>	<u>Percent of Total</u>
1988 Jeep (CJ-7)	3	43	40-60	3	43
1988 Jeep (Cherokee)	<u>4</u>	<u>57</u>	<u>20-40</u>	<u>4</u>	<u>57</u>
TOTAL	7	100	TOTAL	7	100

COMMODITY CREDIT CORPORATION

Purpose Statement

The Commodity Credit Corporation (CCC) is a wholly-owned Government corporation created in 1933 to stabilize, support, and protect farm income and prices; to help maintain balanced and adequate supplies of agricultural commodities, including products, foods, feeds, and fibers; and to help in the orderly distribution of these commodities. CCC was originally incorporated under a Delaware charter and was reincorporated June 30, 1948, as a Federal corporation within the Department of Agriculture by the Commodity Credit Corporation Charter Act, approved June 29, 1948 (15 U.S.C. 714).

The principal operations conducted by CCC are support programs for agricultural commodities. These include the storage, handling, and disposition of commodities acquired under the various programs; and set-aside or acreage reduction, loan deficiency, deficiency, disaster, and/or diversion payment programs for feed grains, wheat, rice, and cotton; certificate programs; a conservation reserve program; and special activities, such as those under the Agricultural Trade Development and Assistance Act of 1954, as amended (P.L. 480), which are financed by appropriations authorized by statutes providing for these activities. Under section 4(a) of the Food for Peace Act of 1966, as amended, CCC may finance short-term export credit sales on credit terms not to exceed three years under the Export Credit Sales Program. The Corporation is also authorized by section 4(b) of the Food for Peace Act of 1966, as amended, to finance intermediate-term export credit sales in excess of three years, but not more than 10 years. The Corporation is also authorized under its charter authority to enter into export guarantee financing arrangements with respect to exported commodities.

Management of the Corporation is vested in a board of directors, subject to the general supervision and direction of the Secretary of Agriculture who is an ex-officio director and chairman of the board. The board consists of seven members, in addition to the Secretary, who are appointed by the President of the United States with the advice and consent of the Senate. Officers of the Corporation are designated according to their positions in the Department of Agriculture. The activities of the Corporation are carried out mainly by the personnel and through the facilities of the Agricultural Stabilization and Conservation Service (ASCS) and the Agricultural Stabilization and Conservation (ASC) State and county committees. The General Sales Manager, the Foreign Agricultural Service, other agencies and offices of the Department, and commercial agents are also used to carry out certain phases of the Corporation's activities.

ASCS administers CCC's activities through its headquarters offices in Washington, D.C., and the Kansas City field offices.

The ASC State and county committees carry out certain support and related activities of the Corporation within the States and counties. There are 50 State offices, an insular area office in Puerto Rico, and approximately 2,800 county offices. The ASC State committees supervise the activities of the ASC county committees in their respective States.

FINANCING

Borrowing Authority

The Corporation has an authorized capital stock of \$100 million held by the United States, with the authority to have outstanding borrowings of up to \$30 billion at any one time. P.L. 95-279, approved May 15, 1978, increased the statutory borrowing authority to \$25 billion from \$20 billion, to the extent provided in appropriation acts. The fiscal year 1982 supplemental appropriation act, P.L. 97-257, increased the availability to \$25 billion. The fiscal year 1988 appropriation act, P.L. 100-202, increased the statutory borrowing authority to \$30 billion.

Funds are borrowed from the Treasury and may also be borrowed from private lending agencies and others. The Corporation reserves a sufficient amount of its borrowing authority to purchase at any time all notes and other obligations evidencing loans made by such agencies and others. All bonds, notes, debentures, and similar obligations issued by the Corporation are subject to approval by the Secretary of the Treasury as required by the Act of March 8, 1938 (15 U.S.C. 713a-4). Reservation of borrowing authority for these purposes has not been required for many years.

Interest on borrowings from the Treasury (and on capital stock) is paid at a rate based upon the average interest rate of all outstanding marketable obligations (of comparable maturity date) of the United States as of the preceding month. Interest may also be paid on other notes and obligations at a rate prescribed by the Commodity Credit Corporation and approved by the Secretary of the Treasury.

The Department of Agriculture and Related Agencies Appropriation Act, 1966, made provision for terminating interest after June 30, 1964, on the portion of the Corporation's borrowings from the Treasury equal to the unreimbursed realized losses recorded on the books of the Corporation after the end of the fiscal year in which such losses are realized.

Contract Authority

Support and other programs required by statute may result in the Corporation's incurring obligations in excess of available funds or borrowing authority. Such obligations are liquidated from subsequent appropriations and other funds which may become available to the Corporation. Any increase in obligations in excess of available fund resources is reported as contract authority in the year involved; a decrease is reported as the application of appropriations and other funds to liquidate the contract authority.

AppropriationsReimbursement for net realized losses

Under Public Law 87-155 (15 U.S.C. 713a-11, 713a-12), annual appropriations were authorized for each fiscal year, commencing with fiscal year 1961, to reimburse the Corporation for net realized losses. The Omnibus Budget Reconciliation Act of 1987 amended Public Law 87-155 to authorize that the Corporation be reimbursed for its net realized losses by means of a current, indefinite appropriation.

Operating Expenses

Under Public Law 100-202, enacted December 22, 1987, CCC was provided an appropriation for Operating Expenses in fiscal year 1988 in lieu of the long-standing appropriation for Net Realized Losses. The appropriation was subdivided into specific spending authorizations for 17 individual CCC programs and activities, and included authority to transfer up to 7 percent of the amount available for any program to any other program in accordance with existing law. The fiscal year 1989 appropriation was made on a net realized loss basis.

National Wool Act

Under section 705 of the National Wool Act, as amended (7 U.S.C. 1781-1787), a permanent appropriation is made to reimburse the Corporation for amounts expended during the preceding fiscal year and for amounts expended in prior fiscal years not previously reimbursed. This appropriation may not exceed 70 percent of the gross receipts from duties collected on wool and wool manufactures during the immediately preceding calendar year.

The fiscal year 1988 appropriation act, P.L. 100-202, provided that \$126,108,000 of the CCC Operating Expenses appropriation be used for expenditures of the wool program. These advance wool funds were applied to fiscal year 1988 expenditures and reduced the amount which was appropriated under Section 705 in fiscal year 1989.

Available Funds: 1988 Actual and Estimated 1989 and 1990

Item	1988 Actual	1989 Estimated	1990 Estimated
Commodity Credit Corporation:			
Support and related programs:			
Reimbursement for net realized losses.....	---	\$8,828,286,000	\$4,800,000,000 ^{a/}
Operating expenses.....	\$21,133,658,000	---	---
Total support and related...	21,133,658,000	8,828,286,000	4,800,000,000
Reimbursement to CCC, National Wool Act.....	126,108,000	4,527,000	88,509,000
Total Commodity Credit Corporation	\$21,259,766,000	\$8,832,813,000	\$4,888,509,000

a/ Proposed to be reimbursed through current, indefinite appropriation from Treasury.

CLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

(thousands of dollars)

	<u>1988</u>	<u>1989</u>	<u>1990</u>
22 Transportation of things.....	\$411,326	\$413,265	\$342,747
25 Other services.....	1,222,387	987,574	1,191,301
Storage and handling (including producer storage payments).....	1,654,934	1,321,678	531,292
26 Supplies and materials (cost of commodities sold or donated):			
Foreign Assistance Programs.....	1,050,382	1,205,885	1,189,113
Other.....	11,074,099	3,864,638	2,929,320
31 Equipment.....	35,423	41,000	15,190
33 Investments and loans.....	13,590,745	6,325,754	8,272,321
41 Grants, subsidies, and contributions	4,473,656	12,540,574	9,272,800
43 Interest and dividends.....	<u>676,516</u>	<u>605,208</u>	<u>557,941</u>
Total obligations.....	<u>34,189,468</u>	<u>27,305,576</u>	<u>24,302,025</u>

COMMODITY CREDIT CORPORATION

The estimates include appropriation language for this item as follows: (new language underscored; deleted matter enclosed in brackets):

Reimbursement For Net Realized Losses:

- 1 For fiscal year [1989] 1990, such sums as may be necessary to reimburse the Commodity Credit Corporation for net realized losses sustained or
- 2 anticipated, but not previously reimbursed, [but not to exceed \$8,828,286,000,] pursuant to Section 2 of the Act of August 17, 1961, as amended (15 U.S.C. 713a-11).

Short-Term Export Credit:

- 3 The Commodity Credit Corporation shall make available not [less] more than \$5,000,000,000 in credit guarantees under its export credit guarantee program for short-term credit extended to finance the export sales of United States agricultural commodities and the products thereof, as authorized by section 1125(b) of the Food Security Act of 1985 (Public Law 99-198).

Intermediate Export Credit:

- 4 The Commodity Credit Corporation shall make available not [less] more than \$500,000,000 in credit guarantees under its export guarantee program for intermediate-term credit extended to finance the export sales of United States agricultural commodities and the products thereof, as authorized by section 1131(3)(B) of the Food Security Act of 1985 (Public Law 99-198).

The first change updates the fiscal year designation of the current, indefinite appropriation to reimburse the Corporation for net realized losses sustained or anticipated.

The second change is proposed to eliminate the ceiling on the current, indefinite appropriation authority. The ceiling limits the flexibility CCC would otherwise have to request funds as needed from the Treasury to avoid operating disruptions due to a lack of sufficient funds.

The third change is proposed to eliminate the floor for the short-term export credit guarantee program and establish the maximum program level at \$5,000,000,000.

The fourth change is proposed to eliminate the floor for the intermediate-term export guarantee program and establish the maximum guarantee program level at \$500,000,000.

Reimbursement for Net Realized Losses

Appropriation Act, 1989.....	\$8,828,286,000
Budget Estimate, 1990.....	\$4,800,000,000
Decrease in Appropriation.....	<u>-4,028,286,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Change</u>	<u>1990 Estimated</u>
Reimbursement of losses:			
Balance of 1987 actual losses..	\$1,754,435,000	-\$1,754,435,000	---
1988 actual losses.....	7,073,851,000	-5,507,023,000	\$1,566,828,000
1989 estimated losses.....	---	<u>+3,233,172,000</u>	<u>3,233,172,000</u>
			a/
TOTAL AVAILABLE.....	<u>\$8,828,286,000</u>	<u>-\$4,028,286,000</u>	<u>\$4,800,000,000</u>

PROJECT STATEMENT
(On basis of appropriation)

<u>Item</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Decrease</u>	<u>1990 Estimated</u>
Reimbursement of losses:				
Appropriation.....	---	\$8,828,286,000	-\$4,028,286,000	\$4,800,000,000 ^{a/}

a/ Proposed to be reimbursed through current, indefinite appropriation from Treasury.

Operating Expenses

PROJECT STATEMENT
(On basis of appropriation)

<u>Item</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Change</u>	<u>1990 Estimated</u>
Operating expenses:				
Appropriation.....	\$21,133,658,000	---	---	---

EXPLANATION OF PROGRAMUSDA Goals and Objectives

The USDA goal is to promote economic stability in the farm sector so that farmers and ranchers can earn a fair rate of return in the market place; and thereby assure supplies of agricultural products which are adequate to meet domestic and export demand at reasonable prices to consumers.

The primary objective is to achieve this goal through an approach that retains basic management responsibilities of farmers, provides for the maintenance of adequate food reserves, provides prices reasonable to consumers and competitive in world markets, and minimizes Federal interference in the agricultural economy.

Provisions of the Program

The programs of the Commodity Credit Corporation cover a wide range of operations.

- A. The Commodity Credit Corporation is operated by the Agricultural Stabilization and Conservation Service of the Department of Agriculture.
1. Its functions are performed primarily by ASCS employees.
 2. It is a corporate entity with commercial-type operations primarily related to the support of farm prices, but its budget processes must fit not only its own unique characteristics but also the processes used in formulating and executing the overall U.S. Budget.
 3. Its operations are closely related to and affected by the operations of other programs financed from other funds - such as Section 32 and School Lunch Programs, and commodity donations under Title II of P.L. 480.
 4. Its resources are utilized to carry out a variety of program objectives not strictly related to support operations.

Some of these objectives are the responsibility of agencies other than the Agricultural Stabilization and Conservation Service.

- B. CCC operations are unique in many ways.

1. The primary aim of CCC is to assist in stabilizing, supporting, and protecting farm income and prices and to help maintain balanced and adequate supplies of agricultural commodities.
2. CCC operates under a large number of statutory directives and limitations and has broad charter powers, authorizing it to carry out almost any operation required to meet these objectives, including:

a. Buying	d. Donating	g. Transporting
b. Selling	e. Lending	h. Making payments
c. Bartering	f. Storing	i. Other activities
3. The major activity is support of prices as required or authorized by existing law.
 - a. Under existing law, support of farm prices is accomplished through nonrecourse loans (regular and reserve), payments (in cash, commodity certificate and in-kind), and purchases from farmers or processors.

- b. Under existing law, CCC is required to support the price of corn, cotton, wheat, rice, peanuts, tobacco, dairy products, honey, barley, oats, rye, grain sorghum, sugar, and soybeans at levels provided for by law. CCC has to make an offer, open to all producers, to make loans upon or purchase any quantity of these commodities produced which meet eligibility requirements. Eligibility requirements include grade, moisture content, adequacy of storage and compliance with acreage set-aside or acreage reduction provisions, if in effect. Income support in the form of direct payments is also required by law to be available to wool and mohair producers, as well as to feed grain, wheat, cotton and rice growers.
 - c. In addition, CCC may support the prices of other commodities at the discretion of the Secretary.
- 4. CCC has no control over the volume of business it must handle. The relationship of the market price for each commodity to the support price largely determines the volume of that commodity which will be placed under loan or acquired by the CCC. This in turn is determined by weather conditions, insect damage, use of fertilizers, and all other factors influencing production, and by already existing supplies, domestic and export demand, and other factors affecting the market. Dispositions of inventory are governed by the same set of economic factors. These circumstances can cause tremendous variations over relatively short periods in the volume of CCC support operations.
- 5. CCC also carries out storage facilities activities through contracts with warehousemen, commodity export programs, and other activities. Support operations and resultant inventory management account for the bulk of the total workload.
- 6. The President's Budget estimates incorporate changes for the 1988 through 1990 crops mandated by the Omnibus Budget Reconciliation Act of 1987 (Public Law 100-203), enacted December 22, 1987. Among these changes are a decrease in the 1988 and 1989 target prices of 1.4 percent, adjustments to the 1988 and 1989 crop loan rates, a 10 percent paid diversion program for 1988 crop corn, grain sorghum, and barley, and a required reduction in storage and handling and transportation costs for fiscal years 1988 and 1989 combined. The Act also requires advance deficiency payments for the 1988 through 1990 crops and provides for an "0/92" program, for wheat and feed grains, which would eliminate the planting of the program crop as a requirement to receive deficiency payments.

Also included in the President's Budget are estimated payments to producers as provided by the Disaster Assistance Act of 1988 (Public Law 100-387) which was enacted August 11, 1988. This Act requires the Secretary to make disaster payments to eligible producers if their 1988 crop production loss is greater than 35 percent, and also provides for emergency feed assistance for the maintenance and preservation of livestock to producers who suffered a livestock emergency due to natural disasters. The majority of payments under the Disaster Assistance Act will be made in fiscal year 1989.

In order to help reduce the Federal deficit, further outlay reductions in CCC programs are proposed in the President's Budget. These reductions are \$1.1 billion in fiscal year 1990 and from \$2.0 to 2.5 billion annually for fiscal years 1991 through 1994 from the levels estimated for the programs under a continuation of current law.

7. Conservation Reserve Program

Up to 45 million acres of highly erodible cropland are authorized for protection under the Conservation Reserve Program (CRP). In exchange for

entering land into the reserve, program participants receive annual rental payments in cash or CCC certificates, based on accepted bids per acre and the number of acres placed under 10-year contracts. In addition, farmers receive one-time payments of 50 percent of the eligible costs of establishing vegetative cover on the reserve acreage.

To facilitate program implementation, use of the funds and facilities of CCC was authorized for fiscal years 1986 and 1987. Beginning in fiscal year 1988, the services and facilities of CCC will continue to be used, but appropriations are provided to CCC in advance to carry out the program. The 1988 appropriation also required that CCC be reimbursed for CRP expenditures made for the period of the fiscal year 1988 short-term continuing resolutions, extending from October 1, 1987 through December 31, 1987.

Under the Food Security Act, authority is provided to CCC to enter into CRP contracts through fiscal year 1990. In fiscal year 1988 rental payments of \$759.1 million on the 15.6 million 1986 and 1987 crop acres enrolled in fiscal years 1986 and 1987 were paid with CCC commodity certificates. Additional details on the fiscal years 1988 through 1990 programs, which are funded by a separate CRP appropriation advanced to the CCC, as required by law, are provided under the fiscal year 1990 CRP request elsewhere in these Notes.

8. There are several characteristics of CCC operations which are important in analyzing its budget problems and processes.
 - a. CCC deals with millions of producers and utilizes the services of thousands of banks, processors, carriers, exporters, handlers, warehousemen, and others.
 - b. CCC operations involve the handling of millions of documents and transactions during a 12-month period.
 - c. CCC workload cannot be deferred. Commodities must be moved, producer payments must be made, warehouse and freight charges must be paid, claims must be settled, and loans must be made and liquidated.
 - d. The manner in which CCC inventories of individual commodities are handled and merchandised is of key importance to both domestic and foreign markets.
 - e. Operating policies directly affect the day-to-day business operations of the many thousands of warehouses, elevators, handlers, processors, banks, exporters, importers, carriers, cooperatives, and others with which business dealings are conducted.
 - f. Trade customs and practices with respect to individual commodities must be observed in operations.
 - g. To support prices, CCC generally makes nonrecourse loans to producers which bear no interest if the borrower does not repay them, and which are fully settled by delivery of the commodity to CCC at maturity of the loans.
 - h. CCC operations are big:
 - (1) The Corporation has an authorized capital stock of \$100 million held by the United States and authority to have outstanding borrowings of up to \$30 billion at any one time. Its capital structure is replenished each year by appropriations, usually to restore realized losses on support operations, and to reimburse costs of other programs.

- (2) Its commodity loans and purchases in fiscal year 1988 amounted to \$23.2 billion. \$8.9 billion of total purchases was for commodity certificates transferred from the loan account. These certificate purchases represent a required accounting transaction to show the effect on inventory of certificate payments to producers used to redeem outstanding commodity loans. The associated reduction in outstanding loans is recorded as a loan repayment receipt, which fully offsets the inventory purchase expenditure. Therefore, no net expenditures result from this required certificate accounting treatment. Sales proceeds totaled \$12.2 billion of which \$9.9 billion was for commodity certificates.

Certificate sales proceeds reflect the certificate issuance value, and like certificate purchases, is a required accounting transaction to show the effect on inventory of certificate redemptions. The Corporation had outstanding loans on commodities of \$8.3 billion and owned commodities with a cost value of \$5.6 billion on September 30, 1988.

i. Export Credit Guarantees

Under the short-term Export Credit Guarantee Program (GSM-102), CCC guarantees for up to 3-year credit terms payments due U.S. exporters, or their assignees (U.S. financial institutions), from defaults in payments by foreign banks on export credit sales due to commercial as well as noncommercial risks. In fiscal year 1983, CCC instituted the blended credit program which provides for up to 3-year credit terms on a combination of interest-free direct credit under the Export Credit Sales Program (GSM-5) and credit guarantees under the Export Credit Guarantee Program (GSM-102). In fiscal year 1986, an intermediate export credit guarantee program was authorized by the Food Security Act of 1985 for which CCC guarantees exports with credit terms up to 10 years (GSM-103).

Total commitments in fiscal year 1988 were \$4.261 billion for the GSM-102 program and \$296.3 million for the GSM-103 program. As required by the Food Security Act of 1985, the program level for both fiscal years 1989 and 1990 is established at \$5 billion for the short-term export credit guarantee program (GSM-102) and \$500 million for the intermediate export credit guarantee program (GSM-103).

j. Direct Export Credit

Under the short-term export credit sales program (GSM-5), CCC provides direct financing on terms not to exceed three years for the commercial sales of agricultural commodities from private stocks. There was no direct credit program in fiscal year 1988 and none is planned for fiscal years 1989 and 1990.

k. Net Expenditures

Commodity Credit Corporation net expenditures for fiscal year 1990, in the current law baseline, are estimated at \$11.6 billion, down \$2.2 billion from a level of \$13.8 billion in fiscal year 1989.

Although there is a decrease in projected fiscal year 1990 expenditures, increases are still expected in outlays for feed grains and wheat because of an expected return to more normal levels of production. These increases are offset by a reduction in cotton program expenditures because of higher cash loan repayments due to changed cotton loan redemption procedures and by the termination of the disaster payment program for 1988 crops. CCC outlay reductions of \$1.1 billion are also proposed to help reduce the Federal deficit. The following table shows CCC net expenditures by commodity or program for fiscal years 1988 through 1990.

COMMODITY CREDIT CORPORATION

FISCAL YEAR 1990 PRESIDENT'S BUDGET

FY 1988 ACTUAL, FY 1989 AND FY 1990 ESTIMATED EXPENDITURES

(thousands of dollars)

Item	FY 1988 ACTUAL	FY 1989 ESTIMATED	FY 1990 ESTIMATED
Corn.....	\$8,227,063	\$2,588,916	\$4,903,578
Grain Sorghum.....	764,262	474,454	542,083
Barley.....	56,606	-26,954	106,059
Oats.....	-1,681	-3,644	3,252
Corn Products.....	5,825	8,855	6,642
Oat Products.....	858	---	---
Feed Grains and Products.....	(9,052,933)	(3,041,627)	(5,561,614)
Wheat and Products.....	677,910	278,734	1,051,969
Rice.....	127,730	999,315	958,819
Upland Cotton.....	665,792	2,537,913	994,169
Tobacco.....	-453,263	-568,977	-280,315
Honey.....	100,091	60,242	54,977
Dairy (includes red meat purchase program)	1,295,299	661,951	893,269
Soybeans.....	-1,675,996	-32,160	115,592
Sugar.....	-246,278	---	---
Peanuts.....	7,207	4,872	4,137
Conservation Reserve Program.....	---	---	---
Export Guarantee Program.....	242,541	150,091	144,650
Short-Term & Intermediate Export Credit...	-50,001	-41,495	-46,084
Storage Facility.....	-40,531	-17,789	-5,018
Interest.....	395,048	282,940	283,469
CCC Operating Expenses.....	621,165	590,233	643,290
Change in Working Capital.....	1,361,174	1,000,000	1,000,000
Livestock Assistance (Cash).....	30,962	820,000	---
Forage and Tree Assistance Programs (1988 Disaster).....	---	82,000	8,000
Crop Disaster Assistance.....	---	3,613,000	---
All Other.....	344,550	292,006	98,315
Subtotal, Support and Related.....	12,456,333	13,754,503	11,480,853
Wool.....	4,527 1/	88,509	97,817
TOTAL Net Expenditures, CCC.....	12,460,860	13,843,012	11,578,670
Farm program proposed savings.....	---	---	-1,100,000
Federal credit reform.....	---	---	832,530
Adjusted TOTAL Net Expenditures, CCC.....	12,460,860	13,843,012	11,311,200

Minus (-) indicates a net receipt (excess of repayments or other receipts over gross outlays of funds).

1/ Fiscal year 1988 wool and mohair program outlays were \$130,635,000 but include a one-time advance appropriation of \$126,108,000, which was recorded as a wool program receipt by Treasury.

Deficiency, Diversion and Disaster Payments

In fiscal year 1988 these direct payments to producers totaled \$12,452.9 million, an increase of \$1,004.3 million from payments issued in fiscal year 1987. Deficiency and diversion payments were made in a combination of cash and CCC commodity certificates in fiscal years 1986 and 1987, and 1988, as authorized by the Food Security Act of 1985. Estimated payments for fiscal year 1989 also include both cash and certificate payments. Estimated payments for fiscal year 1990 are in cash only.

The following table shows CCC deficiency, diversion and disaster payments made in cash and certificates for fiscal years 1988 through 1990.

COMMODITY CREDIT CORPORATION

Deficiency, Diversion and Disaster Payments Made in Cash and Certificates

Fiscal Years 1988-1990

(thousands of dollars)

	FY 1988 Actual		FY 1989 Estimate		FY 1990 Estimate	
	Cash	Certificates	Total	Cash	Certificates	Total
Deficiency Payments.....	\$3,971,847	\$7,765,122	\$11,736,969	\$5,888,615	\$1,889,637	\$7,778,252
Diversion Payments.....	7,740	692,740	700,480	---	---	---
Disaster Payments 1986 crop prior 1988 crop year	5,529	9,874	15,403	---	---	---
	---	---	---	3,613,000	---	3,613,000
Total.....	3,985,116	8,467,736	12,452,852	9,501,615	1,889,637	11,391,252
				7,005,719	---	7,005,719

ADP Activities

ADP in ASCS is integral to the agency's long range Information Resources Management Plan. The plan calls for the utilization of modern technology wherever it is feasible and cost-beneficial. ASCS has implemented a nationwide network of computer systems in support of CCC operations. All State and county ASCS offices now utilize computer-based procedures to conduct day-to-day support to producers. This distributed network approach has dramatically reduced the agency's previous dependency upon traditionally hand prepared forms and documents.

Most farm and producer data are currently maintained on the county office computers for processing purposes only and are automatically accessed, used, and updated simultaneously while servicing the producers. All major program applications were completed during fiscal year 1988.

Through the departmental communications network, summary data is transmitted to ASCS State office where it is used for program management and oversight purposes. State offices further summarize this information for transmission to the Kansas City Management Office. In the future some of this accounting and administrative information will be transmitted to Washington Headquarters Offices' Management Information Systems data bases. These data bases will be designed and maintained as a shared information resources for ASCS and the Foreign Agricultural Service (FAS). These data base resources will include information relative to the activities and missions of both agencies. FAS collects foreign production and supply and demand information. Thus, agency and departmental policy-makers will have ready access to the latest information, both foreign and domestic.

Contractor assistance is being utilized in the development and implementation of the processed commodities inventory management system, in the automation of the Aerial Photography Field Office in Salt Lake City, and in the proposed automation of tobacco marketing sites.

In carrying out the overall long-range plan described above, CCC capital investments totaling \$7,077,000 in fiscal year 1990 will be required, as detailed below. Equipment will be purchased under the statutory authority of the Commodity Credit Corporation Charter Act to support the ASCS Information Resources Management Plan.

CCC funding for essential mission enhancements to the State and County Office Automation Project (SCOAP) equipment are estimated at \$3,500,000. Hardware enhancements and related capitalized software for the CCC Computer Facility, including components for headquarters and field offices, are estimated at \$755,000. The remaining \$2,822,000 is for the purchase of equipment including software, telephones, and peripherals needed by ASCS in support of IRM objectives and to keep abreast of new technologies and their impact on ASCS.

JUSTIFICATION OF INCREASES AND DECREASES
Realized Losses, Fiscal Years 1987 and 1988

Item	Fiscal Year 1987	Increases and Decreases	Fiscal Year 1988
Support and related programs:			
Commodity inventory operations:			
Losses or gain (-) on sales....	\$3,158,983,523	+\$1,349,389,500 (1)	\$4,508,373,023
Domestic donations.....	1,489,939,437	-52,639,541 (2)	1,437,299,896
Export donations.....	365,819,118	-93,447,044 (3)	272,372,074
Storage and handling expense...	1,375,771,734	-389,881,191 (4)	985,890,543
Transportation expense.....	184,835,879	-147,735,962 (5)	37,099,917
Total commodity inventory operations.....	6,575,349,691	+665,685,762	7,241,035,453
Loans written off.....	10,558,817	+308,065 (6)	10,866,882
Producer storage payments.....	628,118,031	+40,925,706 (7)	669,043,737
FCIC crop indemnity payments.....	450,000,000	+750,000,000 (8)	1,200,000,000
Disaster payments (cash):			
Feed grains.....	328	+4,786,544	4,786,872
Wheat.....	907	+330,917	331,824
Rice.....	-1,590	-16,820	-18,410
Upland cotton.....	1,430	+427,586	429,016
Total disaster payments.....	1,075	+5,528,227 (9)	5,529,302
Deficiency payments (cash):			
Corn.....	-252,864,199	+1,983,753,879	1,730,889,680
Grain sorghum.....	-108,596,998	+368,433,004	259,836,006
Barley.....	-32,424,383	+66,100,700	33,676,317
Oats.....	-28,941,653	+29,094,550	152,897
Wheat.....	-363,023,035	+1,156,767,445	793,744,410
Rice.....	58,304,126	+359,538,358	417,842,484
Upland cotton.....	622,217,276	+132,623,330	754,840,606
Extra long staple cotton.....	-368,154	+959,960	591,806
Total deficiency pymts.-cash	a/-105,697,020	+4,097,271,226 (10)	3,991,574,206
Diversion payments (cash):			
Corn.....	355,080,705	-359,070,829	-3,990,124
Grain sorghum.....	29,989,371	-30,371,834	-382,463
Barley.....	7,967,635	-8,161,265	-193,630
Oats.....	1,993,602	-2,226,918	-233,316
Wheat.....	-454,863	+380,242	-74,621
Rice.....	-278,298	+769,045	490,747
Upland cotton.....	211,282	-310,165	-98,883
Dairy.....	-195,266	+20,334	-174,932
Total diversion payments-cash	394,314,168	-398,971,390 (11)	-4,657,222
Upl. cotton loan def. pymts (cash)	-14,652,400	+129,226,895 (12)	114,574,495
Rice inventory payments (cash)....	747,872	-799,158 (13)	-51,286
Dairy termination program.....	638,901,762	-431,344,118 (14)	207,557,644
Livestock emergency assistance....	---	+1,982,418,770 (15)	1,982,418,770
Forage assistance.....	---	+50,000,000 (16)	50,000,000
Tree assistance program.....	---	+40,000,000 (17)	40,000,000
Crop disaster payments.....	---	+3,492,000,000 (18)	3,492,000,000
TOTAL CASH PYMTS (9-18 above).	913,615,457	+8,965,330,452	9,878,945,909
Deficiency pymts. (certificates):			
Corn.....	6,748,925,856	-6,883,432,212	-134,506,356
Grain sorghum.....	617,316,007	-639,073,408	-21,757,401
Barley.....	392,833,260	-461,104,721	-68,271,461
Oats.....	18,405,141	-16,137,299	2,267,842
Wheat.....	3,607,778,347	-2,703,090,866	904,687,481
Rice.....	523,135,136	-405,923,577	117,211,559
Upland cotton.....	417,760,061	+324,088,700	741,848,761
Total deficiency payments (certificates)....	a/12,326,153,808	-10,784,673,383 (19)	1,541,480,425
Diversion payments (certificates):			
Corn.....	1,079,449,396	-493,858,856	585,590,540
Grain sorghum.....	93,275,573	-29,871,781	63,403,792
Barley.....	21,827,079	+905,096	22,732,175
Oats.....	4,547,792	-4,800,231	-252,439
Wheat.....	4,444,900	-3,944,220	500,680
Total diversion payments (certificates)....	1,203,544,740	-531,569,992 (20)	671,974,748

a/ Subsequent to the completion of last year's Notes for FY 1987 actual, it was announced that final 1987 crop deficiency payments would be made in certificates, and not in cash as previously shown. This announcement changed the accrued cash-certificate payment mix to that shown above for FY 1987; however total FY 1987 actual deficiency payment losses remained the same.

JUSTIFICATION OF INCREASES AND DECREASES (continued)
Realized Losses, Fiscal Years 1987 and 1988

Item	Fiscal Year 1987	Increases and Decreases	Fiscal Year 1988
Upl. cotton loan def. cert.....	-12,723,337	+13,018,882 (21)	295,545
Upl. cotton inv. protection cert.	2,833,474	-5,463,018 (22)	-2,629,544
Upl. cotton first handler cert...	94,257,443	-89,424,072 (23)	4,833,371
Rice marketing certificates.....	18,210,775	-18,025,827 (24)	184,948
Ethanol plants assistance program	29,270,000	-29,978,976 (25)	-708,976
Emergency feed certif. program...	85,488,000	-44,625,839 (26)	40,862,161
Export enhancement certificates..	642,980,580	+555,779,030 (27)	1,198,759,610
Targeted Export certif. program..	68,187,000	+36,008,084 (28)	104,195,084
1986 Disaster Assistance:			
Disaster assistance certificates	556,468,647	-546,594,321	9,874,326
Transfer of funds from FmHA.....	-400,000,000	+388,000,000	-12,000,000
Net disaster assistance cert..	156,468,647	-158,594,321 (29)	-2,125,674
TOTAL CERTIFICATE PAYMENTS, NET (19-29 above)	14,614,671,130	-11,057,549,432	3,557,121,698
TOTAL, ABOVE CASH/CERTIFICATE PAYMENTS (9-29 above).....	15,528,286,587	-2,092,218,980	13,436,067,607
Pre-1988 Emerg. feed prog. (non-cert).....	12,953	+7,454,321 (30)	7,467,274
Export enhan. prog. (non-certif).	174,352,956	-134,009,961 (31)	40,342,995
Conservation reserve program:			
Cost-share assistance payments	245,589,195	-245,589,195	---
Technical assistance payments..	15,841,549	-11,243,613	4,597,936
Annual Rental (cash).....	131,812	-131,812	---
Annual rental pymts. (certif.)..	775,190,784	-796,409,676	-21,218,892
Liquidated damages.....	-626,899	-1,031,956	-1,658,855
Corn bonus pymts. (certif.)....	326,686,652	-324,401,113	2,285,539
Total conservation reserve...	1,362,813,093	-1,378,807,365 (32)	-15,994,272
Payment-in-Kind Entitlements.....	8,137,035	-9,661,322 (33)	-1,524,287
Marketing loan write-offs:			
Upland cotton.....	107,667,419	+4,931,958	112,599,377
Rice.....	445,421,752	-243,808,829	201,612,923
Honey.....	21,147,071	+25,559,206	46,706,277
Total mkting. loan write-offs	574,236,242	-213,317,665 (34)	360,918,577
Milk marketing fee collection program:			
Milk marketing fees (PL 97-253)..	-79,833	+67,138	-12,695
Milk marketing fees (PL 98-180)..	-141,568	+88,326	-53,242
Milk marketing fees (PL 99-198)..	-429,712,984	+356,393,859	-73,319,125
Milk marketing fees (PL 100-203)..	--	-4,423	-4,423
Total milk marketing fees.....	-429,934,385	+356,544,900 (35)	-73,389,485
Ocean transportation for section 416 export donations.....	38,852,085	+43,971,783 (36)	82,823,868
Other program expense (net).....	55,278,752	+53,041,309	108,320,061
Interest (net).....	562,237,019	-672,235,213 (37)	-109,998,194
Operating expenses (net).....	595,474,920	+81,996,252 (38)	677,471,172
Total gross realized losses.....	26,133,773,796	-2,500,322,408	23,633,451,388
Offsetting income from FY 1988 "Operating Expenses" advance appropriation.....	---	-14,992,772,098	-14,992,772,098
Net realized losses.....	26,133,773,796	-17,493,094,506	8,640,679,290

Minus (-) indicates gain or adjustment to prior year.

The above analysis of realized losses covers the difference between the actual 1987 and 1988 losses of the Corporation. There was previously a two-year lag between the year the loss was incurred and the year the appropriation was received to reimburse the CCC for its net realized losses. However, high levels of CCC entitlements and related outlays in recent years accelerated the reimbursement of realized losses to restore CCC's capital impairment. The first continuing

resolution of fiscal year 1987 (P.L. 99-500 and P.L. 99-591) provided \$16,808,806,000 to restore the unreimbursed balance of fiscal year 1986 losses of \$2,405,056,000 and \$14,403,750,000 of anticipated fiscal year 1987 losses. The Omnibus Continuing Resolution of fiscal year 1987 (P.L. 99-591) included an additional \$3,000,000,000 which was applied to another \$3,000,000,000 of fiscal year 1987 losses. The fiscal year 1987 urgent supplemental appropriations act (P.L. 100-71) was applied to another \$5,553,189,000 of fiscal year 1987 losses, leaving \$3,176,835,000 in unrestored fiscal year 1987 losses. The fiscal year 1988 appropriations act appropriated \$21,133,658,000 to CCC for 17 specific uses which included \$1,422,400,000 for prior year losses. This amount was applied to another \$1,422,400,000 of fiscal year 1987 losses. The fiscal year 1989 appropriations act (P.L. 100-460) provided \$8,828,286,000 to restore the unreimbursed balance of fiscal year 1987 losses of \$1,754,435,000 and \$7,073,851,000 of fiscal year 1988 losses.

Need for Change. The Budget proposes a current, indefinite appropriation to reimburse the Corporation for net realized losses in fiscal year 1990. This appropriation, authority for which has already been enacted by Congress in the Omnibus Budget Reconciliation Act of 1987, would give CCC the flexibility to request funds as needed from Treasury to avoid operating disruptions due to a lack of sufficient funds.

Nature of Change.

Explanation of Increases or Decreases in Realized Losses,
Fiscal Years 1987 and 1988

- (1) An increase of \$1,349,389,500 in losses on sales (\$3,158,983,523 in 1987).
This increase primarily reflects the difference in the CCC commodity certificate issuance value versus the CCC book value (generally the acquisition cost). The Food Security Act of 1985, Public Law 99-198 (FSA), authorized the use of certificates as payment to producers under various CCC price support and related programs. These certificates were issued at the current market price for a particular commodity. Certificate holders, in turn, could exercise one of two options: (1) exchange the certificates for any CCC-owned commodity and receive a commodity quantity based on the current market price for that commodity at the time of redemption, or (2) redeem an outstanding CCC loan and receive a commodity quantity also based on the current market price for that commodity at the time of loan redemption. In both cases, a loss was generally realized because the CCC book value, which included redeemed loans transferred to inventory from the loan account, exceeded the certificate issuance value. In fiscal year 1988, CCC-owned commodities valued at \$13,817.2 million were redeemed with certificates valued at \$9,642.9 million. The difference, \$4,174.3 million, represents the loss on certificates. The remaining loss on sales in fiscal year 1988, \$334.1 million, includes higher losses on the sale from CCC inventory of wheat, rice, cheese, butter oil and dried milk. Higher gains on the sale of soybeans partially offset the increase.
- (2) A decrease of \$52,639,541 in domestic donations (\$1,489,939,437 in 1987).
This decrease primarily reflects decreased donations of dairy products under Section 416 for the School Lunch and Special Donations to Needy Families Programs. Section 416 donations of red meat and honey also decreased. Red meat was purchased to minimize the price effect of the Dairy Termination Program. An increase in the donated value of rice and vegetable oil products partially offset the decrease.
- (3) A decrease of \$93,447,044 in export donations (\$365,819,118 in 1987).
Lower dairy product donations under Section 416 of the Agricultural Act of 1949 accounted for the decrease. The combined volume of these overseas dairy donations was down 159 million pounds from the 1987 program. Donations of wheat and corn slightly offset the decrease.

- (4) A decrease of \$389,881,191 in storage and handling expense (\$1,375,771,734 in 1987). A decrease in expenses associated with storage and handling of feed grains, wheat and soybeans in fiscal year 1988 account for 82 percent of the total decrease. Certificate redemptions of CCC-owned inventory and much lower loan collateral forfeitures resulted in lower CCC inventories and therefore lower storage and handling expenses.
- (5) A decrease of \$147,735,962 in transportation expense (\$184,835,879 in 1987). A decreased rate of forfeitures (mainly for feed grains, soybeans, and wheat) lowered transportation expenses in fiscal year 1988.
- (6) An increase of \$308,065 in loans written off (\$10,558,817 in 1987). Fiscal year 1988 write-offs, which increased only slightly from fiscal year 1987, represent write-offs for peanuts, tobacco, and corn loans.
- (7) An increase of \$40,925,706 in producer storage payments (\$628,118,031 in 1987). Despite an overall decline in the bushels held in the grain reserve, producer storage payments increased in fiscal year 1988 primarily due to extended loan storage payments made to producers of 1985 and 1986 crop wheat and feed grains for one-year storage beyond the normal 9-month loan period. Advanced storage payments of \$483,386,000, which were made in fiscal year 1987 and recorded as a loss in fiscal year 1988 when earned, also contributed to the higher losses. The increase was moderated somewhat by the drought, the impact of which was reflected in higher grain prices and increased certificate redemptions of reserve loans.
- (8) An increase of \$750,000,000 in Federal Crop Insurance Corporation (FCIC) crop indemnity payments (\$450,000,000 in 1987). The FSA amended the Federal Crop Insurance Corporation Act authorizing the Secretary to use CCC funds at any time the moneys available to the Federal Crop Insurance Corporation are insufficient to pay claims of farmers for insured crop losses. The fiscal year 1988 losses reflect \$900,000,000 transferred to FCIC to pay claims in connection with the 1988 drought. The remaining \$300,000,000 of fiscal year 1988 losses represents funds which were transferred in fiscal year 1987 and expensed in fiscal year 1988.
- (9) An increase of \$5,528,227 in total cash disaster payments (\$1,075 in 1987). Fiscal year 1988 activity primarily reflects prevented planting disaster payments for 1984 and 1985 program crops which were made during 1988 as the result of a U.S. Court of Appeals decision.
- (10) An increase of \$4,097,271,226 in cash deficiency payments (-\$105,697,020 in 1987). The FSA provision which allows a portion of deficiency payments to be made in certificates redeemable for CCC-owned commodities in lieu of cash is largely responsible for the increase, since more deficiency payments than previously accrued were and are being paid in cash. Although total fiscal year 1988 deficiency payment losses decreased sizeably from total fiscal year 1987 losses due to the drought (\$12,220,456,788 in fiscal year 1987 versus \$5,533,054,631 in fiscal year 1988), total cash deficiency payments increased by \$4,097,271,226. Cash deficiency payments of \$2,250,815,673 were advanced for the 1988 crop and recorded as a loss in fiscal year 1988. An additional \$610,184,327 in final 1988 crop payments that will be paid in fiscal year 1989 was also established as a fiscal year 1988 loss. For the 1987 crop, the cash liability of \$2,677,322,695, which was originally recorded as a loss in fiscal year 1987, was underestimated by \$1,087,553,889, resulting in increased 1987 crop cash deficiency losses. This, and additional adjustments for the 1986 and prior year crops were made during fiscal year 1988 to reflect actual payments made.
- (11) A net decrease of \$398,971,390 in cash diversion payments (\$394,314,168 in 1987). The decrease mainly reflects a different cash-certificate payment mix for the 1988 crop feed grain diversion program versus the 1987 crop feed grain diversion program. For the 1987 crop diversion program, one-half of the fifty percent advanced to producers of feed grains was paid in cash; the remainder was paid in certificates. Payments for the 1988 crop feed grain diversion programs were made entirely in certificates.

- (12) An increase of \$129,226,895 in upland cotton cash loan deficiency payments (-\$14,652,400 in 1987). Authorized by the FSA, this payment was made to producers, who although eligible to obtain 1988 crop loans, agreed to forego them in exchange for the payment. The fiscal year 1988 loss of \$114,574,495 represents accrued 1988 crop payments which will be paid in fiscal year 1989. Recording this loss in fiscal year 1988 is in keeping with the GAO requirement that estimated payments due producers be accrued as a loss in the fiscal year in which the payment liability is recognized even though the actual cash disbursement may not take place until the following fiscal year.
- (13) A decrease of \$799,158 in rice cash inventory payments (\$747,872 in 1987). This one-time payment was to protect rice producers from sudden price decreases as a result of the implementation of the FSA. The majority of these payments were made in fiscal year 1986 with a small amount made in fiscal year 1987. The fiscal year 1988 negative amount represents minor adjustments. Total 1985 crop payments made over fiscal years 1986 through 1988 are \$26,051,674.
- (14) A decrease of \$431,344,118 in dairy termination payments (\$638,901,762 in 1987). The decrease reflects the third year's operation of the dairy termination program, which was implemented in fiscal year 1986 under the FSA. Dairy termination payments, based on accepted bids submitted by producers, are made to eligible producers who agreed to discontinue milk production for a period of five years. The fiscal year 1988 amount represents dairy termination payments for the third year of the program, based on producer-selected payment options. Payments will continue through fiscal year 1992.
- (15) An increase of \$1,982,418,770 in livestock emergency assistance (\$0 in 1987). The Disaster Assistance Act of 1988 (P.L. 100-387) provides for emergency feed assistance for the maintenance and preservation of livestock to producers who suffered a livestock emergency due to natural disasters. Eligible livestock producers with qualifying annual gross revenues of less than \$2.5 million can receive either 50 percent cost-share assistance for livestock feed or CCC-owned grains at 75 percent of the county loan rate where the grain is stored. The fiscal 1988 loss represents program costs of \$23,493,972 incurred in fiscal 1988 and an estimated liability of \$1,958,924,798 in assistance to be provided in fiscal year 1989. A survey completed after the liability was established indicates that this liability may have been overstated by \$1,138.9 million. Adjustments for any overstatements will be made in fiscal year 1989.
- (16) An increase of \$50,000,000 for the Forage Assistance Program (\$0 in 1987). Newly authorized by the Disaster Assistance Act of 1988, this program provides assistance to eligible livestock producers whose established pastures were damaged by drought or related conditions in 1988. The 1988 loss represents the estimated liability of payments which will be made in fiscal year 1989.
- (17) An increase of \$40,000,000 for the Tree Assistance Program (\$0 in 1987). Also authorized by the Disaster Assistance Act of 1988, this program provides assistance to eligible tree farmers who planted tree seedlings in 1987 or 1988 but lost these seedlings to drought or related conditions in 1988. The 1988 loss represents the estimated liability of payments to be made in fiscal years 1989 and 1990.
- (18) An increase of \$3,492,000,000 in 1988 crop disaster payments (\$0 in 1987). Eligible producers whose 1988 crop losses are greater than 35 percent will receive disaster payments under the 1988 Disaster Act. The fiscal year 1988 loss represents the estimated liability of payments to be made in fiscal year 1989.

- (19) A decrease of \$10,784,673,383 in deficiency payments made in generic certificates (\$12,326,153,808 in 1987). The decrease mainly reflects the effect of the 1988 drought, which reduced total 1988 crop deficiency payment losses significantly from the 1987 crop. Certificates valued at \$2,219,937,907 were issued for 1988 crop deficiency payments in fiscal year 1988. No additional certificate payments are projected for the 1988 crop. By comparison, 1987 crop deficiency certificate payments are expected to total \$7.8 billion, of which \$6.7 billion had been issued through fiscal year 1988. (see also explanation #10).
- (20) A decrease of \$531,569,992 in diversion payments made in certificates (\$1,203,544,740 in 1987). A 10-percent land diversion program with payments made in certificates was in effect for the 1988 feed grains crops, which included corn, grain sorghum and barley. The fiscal year 1988 amount includes \$639,223,798 in certificates issued for the 1988 crop and \$52,861,036 in additional payments for feed grains under a 15 percent land diversion program effective for the 1987 crop.
- (21) An increase of \$13,018,882 in upland cotton loan deficiency payments made in certificates (-\$12,723,337 in 1987). Loan deficiency payments were issued for the 1986 crop with one-half of the payments made in cash and one-half in certificates. The fiscal year 1987 amount represents a loss adjustment from the amount accrued in 1986 and the fiscal year 1988 amount of \$295,545 represents additional certificate payment adjustments. Total certificate payments for the 1986 crop, including adjustments were \$64,050,208.
- (22) A decrease of \$5,463,018 in upland cotton inventory protection certificates (\$2,833,474 in 1987). As with rice inventory payments, the FSA required a one-time transition payment to all holders of 1985 and prior crop year upland cotton to protect these privately-held stocks from any sudden price decreases due to the implementation of the FSA. Certificates valued at \$388,939,392 were issued in fiscal year 1986 and certificates valued at \$229,894,082 were issued in fiscal year 1987. The fiscal year 1988 amount reflects adjustments for these payments. The total value of certificates issued for inventory protection including adjustments is \$616,203,930.
- (23) A decrease of \$89,424,072 in upland cotton first handler certificates (\$94,257,443 in 1987). This payment, authorized by the FSA, is required to eligible first handlers of cotton if certain CCC programs fail to make upland cotton fully competitive in world markets and the world market price for cotton is less than the loan repayment rate. In fiscal year 1986, \$14,019,922 in certificates were issued for the 1986 crop and in fiscal year 1987, \$94,257,443 in certificates were issued for the same crop. The fiscal year 1988 loss represents additional 1986 crop first handler certificate payments valued at \$4,833,371. Overall payments of \$113,110,736 were made from fiscal years 1986 through 1988.
- (24) A decrease of \$18,025,827 in rice marketing certificates (\$18,210,775 in 1987). Similar to the upland cotton first handler certificates, rice marketing certificates must be issued to eligible producers whenever the world price for rice falls below the loan repayment rate. In fiscal year 1986, certificates valued at \$540,469 were issued for the 1986 crop and in fiscal year 1987, certificates valued at \$18,210,775 were issued for the same crop. The fiscal year 1988 loss of \$184,948 represents additional 1986 crop certificate payments. Total program payments from fiscal years 1986 through 1988 were \$18,936,192.
- (25) A decrease of \$29,978,976 in the ethanol plants assistance program (\$29,270,000 in 1987). In order to encourage the use of grain in the production of fuel ethanol, the FSA authorized CCC to make commodities available for sale at no cost or reduced cost to qualifying ethanol producers. The majority of these payments, which were issued in certificates, was made during fiscal years 1986 and 1987. No assistance was provided to ethanol plants in fiscal year 1988. The fiscal year 1988 amount represents adjustments for prior year payments. Payments made over fiscal years 1986 through 1988 totaled \$53,737,953.

- (26) A decrease of \$44,625,839 in emergency feed certificates (\$85,488,000 in 1987). In accordance with the FSA, as amended, CCC is authorized to make feed available for livestock and poultry in areas where feed grains are normally produced but are unavailable due to natural disaster. The fiscal year 1988 amount is for payments in connection with 1986 crop disasters.
- (27) An increase of \$555,779,030 in export enhancement certificates (\$642,980,580 in 1987). To encourage the development, maintenance, and expansion of U.S. exports, the Secretary is required by the FSA to make available to commercial exporters either CCC-owned commodities for bonus payments or issue transferable export certificates which may later be redeemed for CCC commodities. The fiscal year 1988 loss reflects the value of export certificates issued.
- (28) An increase of \$36,008,084 for targeted export assistance certificates (\$68,187,000 in 1987). To counter or offset the adverse effect of subsidies, import quotas or other unfair trade practices in foreign countries, the Secretary must issue certificates which may be exchanged for CCC commodities to assist promotion activities for commodities or products affected by such practices, or use CCC funds at the Secretary's discretion. The fiscal year 1988 amount is for certificate payments issued to assist in these export promotion activities.
- (29) A decrease of \$158,594,321 in net disaster assistance for 1986 (\$156,468,647 in 1987). The Omnibus Reconciliation Act of 1987 and the Farm Disaster Assistance Act of 1987 provided assistance, payable in generic certificates, to producers who experienced 1986 crop losses from natural disasters, or to producers who could not plant their 1987 crop due to a 1986 disaster. The majority of these payments were made in fiscal year 1987. Fiscal year 1988 net losses are a combination of additional disaster assistance payments and of fund transfers from the Farmers Home Administration (FmHA) to offset a portion of the program's cost. In fiscal year 1988, an additional \$9,874,326 in generic certificates were issued. A legislatively mandated transfer of \$12,000,000 from the Farmers Home Administration offset the losses. Combined fiscal years 1987 and 1988 certificate payments were \$566,342,973 and total FmHA transfers to offset a portion of the program's costs were \$412,000,000.
- (30) An increase of \$7,454,321 for the emergency feed program (cash); (\$12,953 in 1987). The fiscal year 1988 amount reflects program payments during fiscal year 1988 before implementation of the 1988 Disaster Assistance Act.
- (31) A decrease of \$134,009,961 for the export enhancement program (non-certificate), (\$174,352,956 in 1987). Fiscal year 1988 activity reflects the value of CCC-owned corn, wheat, and soybeans issued as bonus payments to U.S. exporters to expand export sales in those markets where unfair foreign trade practices were used. This program, implemented in fiscal year 1985, was modified in fiscal year 1986 whereby bonus payments to exporters may be made in kind or through generic certificates that may be redeemed for CCC-owned commodities.
- (32) A decrease of \$1,378,807,365 for the conservation reserve program (\$1,362,813,093 in 1987). This decrease reflects a change in the program funding mechanism from CCC financing to a separate conservation reserve appropriation. In fiscal years 1986 and 1987, use of CCC funds was authorized to facilitate program implementation and all corresponding losses were appropriately charged to CCC. However, beginning in fiscal year 1988, a separate conservation reserve appropriation was enacted and the funds advanced to CCC. As a result, program costs in fiscal year 1988 were applied, by law, to the direct Conservation Reserve Program appropriation. A small amount of cash technical assistance payments, \$4,597,936, and corn bonus payments of \$2,285,539 issued in certificates partially offset the decrease. The technical assistance payments were paid in fiscal year 1987, but were not recorded as a loss until fiscal year 1988.
- (33) A net decrease of \$9,661,322 in payment-in-kind (PIK) program costs (\$8,137,035 in 1987). The decrease is due to adjustments to PIK activity for fiscal years 1983 and 1984 accrued losses for the 1983 crops of wheat, corn, grain sorghum, rice and upland cotton, and for the 1984 crop of wheat.

- (34) A decrease of \$213,317,665 in marketing loan write-offs (\$574,236,242 in 1987). The decrease mainly reflects an increase in the adjusted world price for 1987 crop rice. Since the marketing loan write-off rate is based on the difference between the original loan rate and a repayment rate which, in turn, is linked to the world price, the world price increase effectively lowered the write-off rate. Increases in marketing loan write-offs for honey and upland cotton partially offset the decrease.
- (35) A net decrease (smaller gain) of \$356,544,900 in milk marketing fees (-\$429,934,385 in 1987). The decrease in fiscal year 1988 reflects nine months of operation of the collection program and a reduction of the fee collected from 25 cents to 2 1/2 cents per hundredweight. Fiscal year 1988 receipts include collections of \$73,319,125 authorized by the FSA.
- (36) An increase of \$43,971,783 in ocean transportation expense for Section 416 export donations (\$38,852,085 in 1987). The increase is mainly due to a substantial increase in metric tonnage shipped in 1988, particularly in the donation of grains.
- (37) A decrease of \$672,235,213 in net interest expense (\$562,237,019 in 1987). The decrease is mainly attributable to a decrease in outstanding Treasury borrowings of \$14.2 billion for commodities and programs. Accrued interest income for the export credit guarantee and rescheduled export guarantee loan programs also contributed to the overall net decrease. An increase in the average interest rate paid on borrowings (7.25 percent in 1988 versus 6.0 percent in 1987) partially offset the decrease.
- (38) An increase of \$81,996,252 in operating expenses (\$595,474,920 in 1987). This increase principally reflects \$77.2 million in higher authorized CCC fund transfers to the ASCS consolidated Salaries and Expenses Account for annualized pay costs in FY 1988, increases for FERS, and higher obligations for Federal and county office expenses for Food Security Act and Disaster Assistance Act workload. \$45.4 million of the \$77.2 million increase reflects FY 1988 supplemental funding for 1988 crop drought county office workload at a medium range of producer participation. The balance of the increase is \$4.8 million, which is the net of all other miscellaneous operating expenses and income.

RECONCILIATION TO BUDGET AUTHORITY

The above analysis of realized losses covers the differences between the actual 1987 and 1988 losses of the Corporation. The 1987 losses have already been reimbursed. Regardless of whether appropriations made to CCC are to restore losses or are for other purposes, the Corporation must record losses in its books for numerous required purposes, including the computation of capital impairment.

The following table reconciles budget authority with appropriations:

	(thousands of dollars)	
	<u>1989</u>	<u>1990</u>
Appropriation (for realized losses).....	\$8,828,286	\$4,800,000 <u>a/</u>
Portion applied to debt reduction.....	<u>-8,828,286</u>	<u>-4,800,000</u>
Adjusted Appropriation.....	---	---
Adjustments:		
Authority to borrow.....	+15,099,398	+12,727,779
National Wool Act appropriation.....	<u>+4,527</u>	<u>+88,509</u>
Budget Authority.....	<u>15,103,925</u>	<u>12,816,288</u>

a/ Proposed to be reimbursed through current, indefinite appropriation from Treasury, rather than Congressional action, as authorized by the Omnibus Budget Reconciliation Act of 1987.

The following tables reflect actual and estimated losses by commodity and program for fiscal years 1987 through 1990.

Fiscal Year 1987 - Actual (millions of dollars)

ITEM	TOTAL	FEED GRAINS AND PRODUCTS	WHEAT AND PRODUCTS	RICE	UPLAND COTTON	DAIRY PRODUCTS	ALL OTHER COMMODITIES AND PROGRAMS a/
Program Costs:							
Gain(-) or loss on sales	3,159.0	1,156.4	193.7	171.0	531.2	699.8	406.9
Domestic donations	1,489.9	8.9	26.0	20.7	—	1,329.2	105.1
Export donations	365.8	0.1	58.6	8.7	—	298.4	—
Storage and handling	1,375.8	794.3	330.9	23.4	27.8	48.6	150.8
Transportation	184.8	83.1	16.6	0.4	0.1	65.1	19.5
Loans written off	10.6	0.2	0.4	—	—	—	10.0
Producer storage payments	628.1	456.2	171.8	—	—	—	0.1
Cash deficiency payments	3,137.2	1,701.6	541.7	272.1	622.2	—	(0.4)
Cash diversion payments	394.5	375.0	(0.4)	(0.3)	0.2	—	—
Cash loan deficiency payments	(14.7)	—	—	—	(14.7)	—	—
Inventory protection payments	0.7	—	—	0.7	—	—	—
Dairy termination program	638.9	—	—	—	—	638.9	—
Deficiency certificate payments	9,083.2	5,653.0	2,703.1	309.3	417.8	—	—
Diversion certificate payments	1,203.5	1,199.1	4.4	—	—	—	—
Milk diversion program	(0.2)	—	—	—	—	(0.2)	—
First-handler, inventory protection, and loan deficiency certificates	84.4	—	—	—	84.4	—	—
Rice marketing certificates	18.2	—	—	18.2	—	—	—
Conservation reserve program	1,362.8	—	—	—	—	—	1,362.8
Other certificates b/	982.4	—	—	—	—	—	982.4
Export enhancement (non-certificate)	174.4	8.8	154.6	5.7	—	—	5.3
Payment-in-kind (PIK) program	8.1	2.2	3.5	2.4	—	—	—
Marketing loan write-offs	574.2	—	—	445.4	107.7	—	21.1
Other c/	114.4	2.3	1.7	0.2	57.3	(430.8)	483.7
Total program costs	24,976.0	11,461.2	4,206.6	1,277.9	1,834.0	2,643.0	3,547.3
Nonprogram costs:							
Interest (net):							
Support and related	640.7						
Short-term and intermediate export credit sales	(11.8)						
Export guarantees	(66.7)						
Operating expenses	595.5						
Total nonprogram costs	1,157.7						
Total realized losses	26,133.7						

a/ Other commodities and programs include rye, soybeans, dry edible beans and peas, tobacco, peanuts and peanut products, blended food products, vegetable oil products, extra long staple cotton, honey, sugar, emergency feed, administrative equipment, export guarantee program fees, the conservation reserve program, ocean transportation for export donations, export market promotion, ethanol plant assistance, export enhancement, and targeted export assistance.

b/ Other certificates include ethanol plant assistance, export enhancement, targeted export assistance and emergency feed programs.

c/ Includes -\$430.0 million for dairy receipts/gains (from assessment program), \$450 million for FCIC crop indemnity payments, and losses for other programs netting to the \$114.4 million shown.

Fiscal Year 1988 - Actual (millions of dollars)

ITEM	TOTAL	FEED GRAINS AND PRODUCTS	WHEAT AND PRODUCTS	RICE	UPLAND COTTON	DAIRY PRODUCTS	ALL OTHER COMMODITIES AND PROGRAMS a/
Program Costs:							
Gain(-) or loss on sales	4,508.4	2,918.0	1,203.9	(8.8)	165.9	336.4	(107.0)
Domestic donations	1,437.3	10.2	32.2	25.7	—	1,281.0	88.2
Export donations	272.4	23.6	71.9	7.5	—	168.2	1.2
Storage and handling	985.9	750.5	169.3	(1.4)	20.9	16.4	30.2
Transportation	37.1	(15.5)	0.7	0.8	—	50.2	0.9
Loans written off	10.9	0.9	0.2	—	0.1	—	9.7
Producer storage payments	669.0	559.3	109.3	—	—	—	0.4
Cash deficiency payments	3,991.6	2,024.6	793.8	417.8	754.8	—	0.6
Cash diversion payments	(4.7)	(4.8)	(0.1)	0.5	(0.1)	(0.2)	—
Cash loan deficiency payments	114.6	—	—	—	114.6	—	—
Deficiency certificate payments	1,541.5	(222.3)	904.7	117.2	741.9	—	—
Diversification certificate payments	672.0	671.5	0.5	—	—	—	—
Rice marketing certificates	0.2	—	—	0.2	—	—	—
First-handler, inventory protection and loan deficiency certificates	2.5	—	—	—	2.5	—	—
Dairy termination program	207.6	—	—	—	—	207.6	—
Conservation reserve program	(16.0)	—	—	—	—	—	(16.0)
Other certificates b/	1,341.0	—	—	—	—	—	1,341.0
Export enhancement (non-certificate)	40.3	13.6	14.5	—	—	—	12.2
Marketing loan write-offs	360.9	—	—	201.6	112.6	—	46.7
Livestock emergency assistance	1,982.4	—	—	—	—	—	1,982.4
Crop disaster payments	3,492.0	—	—	—	—	—	3,492.0
FCIC crop indemnity payments	1,200.0	—	—	—	—	—	1,200.0
Other c/	219.1	102.5	5.2	(0.5)	13.3	(75.4)	174.0
Total program costs	23,066.0	6,832.1	3,306.1	760.6	1,926.5	1,984.2	8,256.5
Nonprogram costs:							
Interest (net):							
Support and related	(68.5)						
Short-term and intermediate export credit sales	0.1						
Export guarantees	(41.6)						
Operating expenses	677.5						
Total nonprogram costs	567.5						
Total realized losses, gross	23,633.5						
Offsetting income from advance appropriation	(14,992.8)						
Total, net realized losses	8,640.7						

a/ Other commodities and programs include rye, soybeans, tobacco, peanuts and peanut products, blended food products, vegetable oil products, extra long staple cotton, honey, sugar, 1988 crop disaster payments, livestock assistance, tree assistance, administrative equipment, export guarantee program fees, the conservation reserve program, ocean transportation for export donations, FCIC crop indemnity payments, export enhancement, and targeted export assistance.

b/ Include ethanol plant assistance, export enhancement, targeted export assistance and emergency feed programs.

c/ Includes -\$73.4 million for dairy receipts/gains (from assessment program), \$50.0 million for forage assistance, \$40.0 million for tree assistance program and losses for other programs netting to the \$219.1 million shown.

Fiscal Year 1989 - Estimated (millions of dollars)

ITEM	TOTAL	FEED GRAINS AND PRODUCTS	WHEAT AND PRODUCTS	RICE	UPLAND COTTON	DAIRY PRODUCTS	ALL OTHER COMMODITIES AND PROGRAMS a/
Program Costs:							
Gain(-) or loss on sales	264.6	23.1	13.1	21.9	11.6	203.4	(8.5)
Domestic donations	869.3	8.8	51.3	--	--	733.6	75.6
Export donations	292.7	114.5	155.1	7.4	--	14.6	1.1
Storage and handling	530.2	420.2	91.4	1.0	3.2	7.7	6.7
Transportation	77.3	33.4	17.0	0.4	0.8	24.7	1.0
Loans written off	4.7	--	--	--	--	--	4.7
Producer storage payments	791.5	633.1	158.4	--	--	--	--
Cash deficiency payments	7,773.8	4,853.3	1,058.6	650.3	1,211.6	--	--
Cash diversion payments	--	--	--	--	--	--	--
Deficiency certificate payments	(121.2)	546.8	(471.8)	(68.6)	(127.6)	--	--
Cash loan deficiency payments	(32.0)	--	--	--	(32.0)	--	--
Diversion certificate payments	--	--	--	--	--	--	--
Dairy termination program	200.0	--	--	--	--	200.0	--
Livestock Assistance	(1,138.9)	--	--	--	--	--	(1,138.9)
Crop Disaster Payments	121.0	--	--	--	--	--	121.0
Other certificates b/	930.0	--	--	--	--	--	930.0
Marketing loan write-offs	340.7	--	--	230.0	78.2	--	32.5
FCIC crop indemnity payments	300.0	--	--	--	--	--	300.0
Other c/	86.1	--	--	--	--	(12.0)	98.1
Total program costs	11,289.8	6,633.2	1,073.1	842.4	1,145.8	1,172.0	423.3
Nonprogram costs:							
Interest (net):							
Support and related	64.4						
Short-term and intermediate export credit sales	(8.6)						
Export guarantees	(6.2)						
Operating expenses	590.2						
Total nonprogram costs	639.8						
Total realized losses, gross	11,929.6						
Offsetting income from advance appropriation	(4,592.4)						
Total realized losses	7,337.2						

a/ Other commodities and programs include rye, soybeans, tobacco, peanuts and peanut products, blended food products, vegetable oil products, extra long staple cotton, honey, sugar, administrative equipment, export guarantee program fees, the conservation reserve program, ocean transportation for export donations, export enhancement, disaster payments, livestock assistance, FCIC crop indemnity payments, export enhancement, and targeted export assistance.

b/ Other certificates include export enhancement and targeted export assistance programs.

c/ Includes -\$12.0 million for dairy receipts/gains (from assessment program) and offsetting losses for other programs netting to the \$86.1 million shown.

Fiscal Year 1990 - Estimated (millions of dollars)

ITEM	TOTAL	FEED GRAINS AND PRODUCTS	WHEAT AND PRODUCTS	RICE	UPLAND COTTON	DAIRY PRODUCTS	ALL OTHER COMMODITIES AND PROGRAMS a/
Program Costs:							
Gain(-) or loss on sales	355.8	266.7	19.8	34.3	5.9	27.6	1.5
Domestic donations	656.7	6.6	50.0	--	--	535.5	64.6
Export donations	--	--	--	--	--	--	--
Storage and handling	357.2	261.4	80.1	0.5	4.1	6.2	4.9
Transportation	49.9	14.7	12.0	0.5	0.4	21.6	0.7
Loans written off	4.5	--	--	--	--	--	4.5
Producer storage payments	174.1	163.6	10.5	--	--	--	--
Cash deficiency payments	8,982.4	6,245.6	1,201.0	624.8	911.0	--	--
Cash diversion payments	0.0	--	--	--	--	--	--
Deficiency certificate payments	0.0	--	--	--	--	--	--
Diversion certificate payments	0.0	--	--	--	--	--	--
Dairy termination program	189.0	--	--	--	--	189.0	--
FCIC Crop Indemnity Payments	175.0	--	--	--	--	--	175.0
Other certificates b/	1,200.0	--	--	--	--	--	1,200.0
Marketing loan write-offs	426.8	--	--	282.5	115.2	--	29.1
Other	104.8	--	--	--	73.9	--	30.9
Total program costs	12,676.2	6,958.6	1,373.4	942.6	1,110.5	779.9	1,511.2
Nonprogram costs:							
Interest (net):							
Support and related	76.2						
Short-term and intermediate export credit sales	(13.5)						
Export guarantees	25.8						
Operating expenses	643.3						
Total nonprogram costs	731.8						
Total realized losses	13,408.0						

a/ Other commodities and programs include rye, soybeans, tobacco, peanuts and peanut products, FCIC crop indemnity payments, blended food products, vegetable oil products, extra long staple cotton, honey, sugar, administrative equipment, export guarantee program fees, export enhancement, and targeted export assistance.

b/ Other certificates include export enhancement and targeted export assistance programs.

c/ Other costs include depreciation costs associated with administrative equipment, administrative expenses, and receipts/gains from export guarantee fees.

The preceding tables reflect actual and estimated losses by commodity and program which are usually restored by annual appropriations for reimbursement of net realized losses. However, in fiscal year 1988 only, CCC was provided an appropriation for "Operating Expenses". Application of the advanced funding provided by the "Operating Expenses" appropriation reduced fiscal year 1988 gross losses of \$23,633.5 proportionate to "Operating Expenses" funds used. Net realized losses in fiscal year 1988 were \$8,640.7 million as a result of the \$14,992.8 million income offset. The remainder of the "Operating Expenses" appropriation will be applied to reduce fiscal year 1989 gross realized losses.

The appropriation was subdivided into specific spending authorizations for 17 individual CCC programs and activities, and included authority to transfer up to 7 percent of the amount available for any program to any other program. No transfers were necessary in 1988 because CCC has several other funding sources which can be utilized if individual spending authorizations are exceeded. These included \$4 billion of available borrowing at the start of fiscal year 1988, a \$5 billion increase in borrowing authority from \$25 billion to \$30 billion, and program receipts from operations.

The following table shows the actual fiscal year 1988 use of each of the 17 fiscal year 1988 "operating expenses" spending authorizations. The table depicts spending use of the authorizations, however, and not an accounting of losses.

ACTUAL FISCAL YEAR 1988 USE OF THE FISCAL YEAR 1988
"OPERATING EXPENSE" SPENDING AUTHORIZATIONS
(Dollars in Thousands)

SPENDING AUTHORIZATION CATEGORY	SPENDING AUTHORIZATION AMOUNT	FY 1988 ACTUAL USE
Deficiency Payments.....	\$6,116,000	\$3,971,847
Export Guarantee Loan Claims.....	711,386	288,691
Commodity Purchases.....	1,150,875	1,573,718
Storage and Handling.....	1,343,166	985,890
Transportation.....	185,464	37,100
Processing.....	105,065	90,485
Producer Storage Payments.....	609,801	657,914
Loan Collateral Settlements.....	142,236	156,052
Dairy Termination Program.....	218,000	259,471
Interest Payments.....	1,468,860	963,327
Working Capital.....	1,500,000	1,361,174
Other Expenses <u>1/</u>	5,292,046	1,361,119
Operating Expenses.....	541,691	623,028
Wool Program.....	126,108	130,635 <u>2/</u>
Advisory Committees.....	560	409
Subtotal, CCC Net Expenditures.....	---	12,460,860
Prior Year Losses <u>3/</u>	1,422,400	1,422,400
Crop Insurance <u>3/</u>	200,000	900,000
TOTAL CCC AUTHORIZATION/ACTUAL USE.....	\$21,133,658	\$14,783,260

- 1/ The spending authorization is "Other Expenses", while the comparable amount for fiscal year 1988 Actual Use is "All Other Expenses". This authorization category did not specify net lending, but the fiscal year 1988 Actual Use column includes net lending expenditures in order to tie to total CCC net expenditures.
- 2/ Fiscal year 1988 wool and mohair program net outlays were \$4,527,000, as reported by Treasury, but include the advance appropriation of \$126,108,000, which was recorded as a wool program receipt by Treasury.
- 3/ These items are not CCC expenditures.

National Wool Act

Appropriation Act, 1989.....	\$4,527,000	1/
Budget Estimate, 1990.....	88,509,000	
Increase in Appropriation.....	<u>+83,982,000</u>	

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

Item of Change	1989 Estimated (1987 Calendar Year)	Increase or Decrease	1990 Estimated (1988 Calendar Year)
Total duties collected in the applicable calendar year.....	\$417,255,211	+\$4,999,789	\$422,255,000
70 percent of duties collected, representing maximum available for reimbursement to CCC.....	292,078,648	+3,499,852	295,578,500
Appropriation or estimate to reimburse CCC.....	4,527,000	+83,982,000	88,509,000

The 1989 appropriation covers reimbursement for fiscal year 1988 expenditures (not otherwise recovered) relating to marketings in the 1987 calendar year. The 1990 appropriation estimate covers fiscal year 1989 estimated expenditures relating to marketings in the 1988 calendar year.

PROJECT STATEMENT

(On basis of appropriation)

Item	1988 Actual	1989 Estimated	1990 Increase	1990 Estimated
Reimbursement to Commodity Credit Corporation for expenditures under the National Wool Act, available or estimate.....	\$152,130,000	\$4,527,000	+\$83,982,000	\$88,509,000

1/ The fiscal year 1988 appropriation act, P.L. 100-202, provided that \$126,108,000 of the CCC Operating Expenses appropriation be used for expenditures of the wool program. These advance wool funds were applied to fiscal year 1988 expenditures, which reduced the amount required to be appropriated under Section 705 in fiscal year 1989.

EXPLANATION OF PROGRAM

The wool and mohair payment program administered by the Agricultural Stabilization and Conservation Service is required by the National Wool Act of 1954, as amended. The Act, which has been extended several times, was extended by the Food Security Act of 1985 to cover marketings through December 31, 1990.

Payments are made on marketings during each calendar year on shorn wool, unshorn lambs (to compensate producers for the wool on lambs) and mohair. The payments are made beginning in April for marketings during the previous year at a rate approximating the difference between the support price and the national average price received by producers.

To encourage producers to do a good job of marketing their wool and to receive the best possible price in the market, a percentage of the actual price received by the producer is used as the payment rate rather than making a uniform flat payment per pound of wool. The higher the market price the producer obtains, the greater the incentive payment he will receive.

Payments, initially financed by CCC, are made to eligible producers through the Agricultural Stabilization and Conservation Service county offices. Total payments under the Act are limited to 70 percent of the accumulated gross receipts from import duties collected on and after January 1, 1953, on wool and wool manufactures.

The following table shows amounts collected and available for payment (in thousands of dollars).

<u>Item</u>	Fiscal Year 1988 (1987 Marketing Year) <u>Actual</u>	Fiscal Year 1989 (1988 Marketing Year) <u>Estimate</u>	Fiscal Year 1990 (1989 Marketing Year) <u>Estimate</u>
Available for payments, 70 percent of duties collected:			
Cumulative from January 1, 1953.....	\$4,062,761	\$4,358,340	\$4,657,419
Cumulative payments to producers.....	<u>1,800,610</u> 1/	<u>1,884,410</u>	<u>1,977,810</u>
Balance available, end of year.....	<u>2,262,151</u>	<u>2,473,930</u>	<u>2,679,609</u>

1/ Cumulative payments through FY 1988 do not include the \$126,108,000 of fiscal year 1988 payments which were funded by the advance "operating expenses" appropriation and therefore should not be subject to the cumulative payment limitation.

The Act provides that the Corporation will be reimbursed for payments to producers and operating costs from the permanent appropriation. The amounts appropriated for any fiscal year shall not exceed 70 percent of the duties collected during the period January 1 to December 31 preceding the beginning of each such fiscal year.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$83,982,000 in the appropriation to reimburse the Commodity Credit Corporation.

<u>Item of Change</u>	<u>1989 Estimate (Fiscal Year 1988 Expendi- ture)</u>	<u>Increase or Decrease</u>	<u>1990 Estimate (Fiscal Year 1989 Expendi- ture)</u>
Payments to producers:			
Shorn wool.....	\$74,689,000	-\$37,789,000 (a)	\$36,900,000
Unshorn lambs.....	16,839,000	-9,239,000 (b)	7,600,000
Mohair.....	36,627,000	+2,673,000 (c)	39,300,000
Total payments.....	128,155,000	-44,355,000	83,800,000
Operating expenses.....	1,863,000	-64,000	1,799,000
Interest expenses.....	617,000	+2,293,000 (d)	2,910,000
Total.....	130,635,000	-42,126,000	88,509,000
Less advance "Operating Expenses" Appropriation	-126,108,000	+126,108,000	---
Revised Total.....	4,527,000	+83,982,000	88,509,000

Need for Change. Commodity Credit Corporation funds are used to operate the wool incentive and mohair support program. The Corporation is reimbursed for the program costs by a permanent appropriation which is limited to 70 percent of all duties collected on wool and wool manufactures during the preceding calendar year. Estimated program costs for fiscal year 1989 are \$88,509,000. Program costs are estimated to decrease from fiscal year 1988 due to the decrease in the payment rate for shorn wool, unshorn lambs and mohair as a result of higher market prices received by producers.

Nature of Change.

- (a) A decrease of \$37,789,000 shorn wool payments (\$74,689,000 in 1989 estimate). This decrease is due to a reduction in the payment rate for wool from 89 cents to 43 cents per pound, mainly as a result of an increase in wool's season average price from 92.0 cents to \$1.35. Since the payment rate is based on the difference between the season average price and the price support rate (which declined 3 cents), the net effect of these two changes resulted in a 46 cents per pound decrease in the payment rate.
- (b) A decrease of \$9,239,000 in payments on unshorn lambs (\$16,839,000 in 1989 estimate). This decrease is due to a decrease in the payment rate for wool as explained above, decreasing the payment rate for unshorn lambs from \$3.57 to \$1.72 per hundredweight.
- (c) An increase of \$2,673,000 in payments on mohair (\$36,627,000 in 1989 estimate). This increase is mostly due to a decrease in the season average price from \$2.63 to \$2.00 resulting in an increase in the payment rate from \$2.32 to \$2.69 per pound.
- (d) An increase of \$2,293,000 in interest expenses (\$617,000 in 1989 estimate). This increase is due primarily to the abnormally low interest cost in 1988. This low interest cost, in turn, is attributable to an advance appropriation of \$126,108,000 which would have normally been provided in the next fiscal year. As a result of this advance appropriation, CCC did not borrow funds from Treasury to finance the majority of the wool program costs in fiscal year 1988. Therefore, no interest cost was incurred for that portion of the wool program cost which was funded by the advance appropriation.

EXPENDITURES AND REIMBURSEMENTS TO CCC
UNDER THE NATIONAL WOOL ACT

Costs

Expenditures under this program include payments to producers, plus operating and interest costs. The following table shows the basis of the estimates for fiscal years 1988, 1989, and 1990.

Item	Fiscal Year 1988 (1987 Marketing Year) Actual	Fiscal Year 1989 (1988 Marketing Year) Estimated	Fiscal Year 1990 (1989 Marketing Year) Estimated
Volume of Marketings:			
Pounds of shorn wool.....	79,336,000	85,900,000	87,400,000
Hundredweight, unshorn lambs.	4,717,000	4,400,000	4,400,000
Pounds of mohair.....	15,801,000	14,300,000	15,700,000
Incentive or Support Level:			
Price per lb of wool (cents).....	181.0	178.0	177.0
Price per lb of mohair (cents).....	495.0	469.0	459.0
Percent of parity - wool.	74.5	66.7	61.2
Percent of parity - mohair.....	63.3	56.7	52.0
Payments under Act - Rates:			
Shorn wool, per lb (cents).....	89.3	43.0	57.0
Unshorn lambs, cwt (cents).....	357.0	172.0	228.0
Mohair, per lb (cents)...	232.0	269.0	209.0
Amount of Payments:			
Shorn wool.....	\$74,689,000	\$36,900,000	\$49,800,000
Unshorn lambs.....	16,839,000	7,600,000	10,000,000
Mohair.....	36,627,000	39,300,000	33,600,000
Total payments.....	128,155,000	83,800,000	93,400,000
Operating Expenses.....	1,863,000	1,799,000	1,799,000
Interest Expense.....	617,000	2,910,000	2,618,000
Current year expenditures..	130,635,000	88,509,000	97,817,000
"Operating Expenses" Advance Appropriation a/.....	126,108,000	---	---
Adjusted current year expenditures.....	4,527,000	88,509,000	97,817,000
Unrecovered balance, prior years.....	152,130,000	4,527,000	88,509,000
Total cumulative unrecovered balance....	156,657,000	93,036,000	186,326,000
Reimbursement to CCC (70 percent of preceding calendar year duty collections) b/.....	152,130,000	4,527,000	88,509,000
Unrecovered balance, end of year.....	4,527,000	88,509,000	97,817,000

a/ The fiscal year 1988 appropriations act, P.L. 100-202, provided that \$126,108,000 of the CCC Operating Expenses appropriation be used for expenditures of the wool program. These advance wool funds were applied to fiscal year 1988 expenditures, which reduced the amount required to be appropriated under Section 705 in fiscal year 1989.

b/ Reimbursement limited to actual expenditures of preceding fiscal year and prior fiscal year amounts not previously reimbursed.

CONSERVATION RESERVE PROGRAM

Purpose Statement

The Conservation Reserve Program (CRP) was mandated by sections 1231-1245 of the Food Security Act of 1985 (P.L. 99-198) to establish permanent cover on highly erodible cropland. The primary objectives of the CRP are to help farmers control critical soil erosion that occurs on about a third of America's cropland and to decrease production of surplus agricultural commodities.

The CRP is authorized in all 50 States, Puerto Rico, and the Virgin Islands on highly erodible land used to produce an agricultural commodity in the years 1981 through 1985. Up to 45 million acres of highly erodible land may be entered into the reserve.

The program is administered by State and local ASC committees working under the general direction of ASCS. Technical assistance is provided by the Soil Conservation Service, the Forest Service, the Cooperative Extension Service, and other appropriate agencies.

In exchange for entering land into the reserve, program participants receive annual rental payments in cash or commodities, based on their accepted bids per acre and the number of acres placed under 10-year contracts. In addition, farmers receive one-time payments of 50 percent of the eligible costs of establishing vegetative cover on the reserve acreage.

To facilitate CRP program implementation, use of the funds, services, and facilities of the Commodity Credit Corporation (CCC) was authorized for fiscal years 1986 and 1987. During the period in fiscal year 1988 covered by the first two continuing resolutions, CCC funds were authorized for CRP but were subsequently repaid to CCC from the fiscal year 1988 CRP funds appropriated under the final continuing resolution. After this period, CCC funds may not be used for CRP unless CCC has received appropriated funds in advance to cover expenditures for the program.

In fiscal years 1988 and 1989, funds were appropriated in advance for rental, cost-sharing, and technical assistance payments. The Food Security Act of 1985 provides authority to enter into CRP contracts through fiscal year 1990. Appropriations will be requested annually to make payments through fiscal year 2000.

Available Funds, 1988 Actual
and Estimated 1989 and 1990

<u>Item of Change</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>1990 Estimated</u>
Appropriation:			
Annual rental payments	\$1,036,307	\$1,192,049,000	\$1,672,048,576
Cost-sharing assistance	284,828,765	546,806,000	363,118,200
Technical assistance	5,612,152	21,400,000	3,400,000
Transfers to other accounts	45,240,000 a/	61,461,000 a/	--
Add:			
Change in unobligated balance.	+794,282,776	+42,284,000	-836,566,776
Total appropriation	<u>1,131,000,000</u>	<u>1,864,000,000</u>	<u>1,202,000,000</u>
Less:			
Transfer to other accounts...	-45,240,000	-61,461,000	--
Adjusted appropriation.....	<u>\$1,085,760,000</u>	<u>\$1,802,539,000</u>	<u>\$1,202,000,000</u>

Reconciliation of Program Level to Appropriation

<u>Item of Change</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>1990 Estimated</u>
Annual rental payments for prior year contracts:			
Cash.....	\$1,036,307	\$1,192,049,000	\$1,672,048,576
CCC commodity certificates..	759,066,647	--	--
Total rental payments	<u>760,102,954</u>	<u>1,192,049,000</u>	<u>\$1,672,048,576</u>
Cost-sharing assistance	284,828,765	546,806,000	363,118,200
Technical assistance	<u>5,612,152</u>	<u>21,400,000</u>	<u>3,400,000</u>
Total program level	1,050,543,871	1,760,255,000	2,038,566,776
Deduct:			
Financing by CCC commodity certificates	-759,066,647	--	--
Add:			
Change in unobligated balance	+794,282,776	+42,284,000	-836,566,776
Adjusted appropriation.....	<u>\$1,085,760,000</u>	<u>\$1,802,539,000</u>	<u>\$1,202,000,000</u>

a/ Reflects funds transferred to the Soil Conservation Service for technical assistance related to Food Security Act of 1985 conservation activities, in accordance with P.L. 100-202 for 1988 and P.L. 100-460 for 1989.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Conservation Reserve Program

- For necessary expenses to carry out the conservation reserve program pursuant to the Food Security Act of 1985 (16 U.S.C. 3831-3845), [~~\$1,864,000,000~~] \$1,202,000,000, to remain available until expended, to be used for Commodity Credit Corporation expenditures for cost-share
- 1 assistance for the establishment of conservation practices provided for in
- 2,3 approved conservation reserve program contracts, for annual rental payments provided in such contracts, and for technical assistance: Provided, [That 4 per centum of the funds available for the conservation reserve program in this Act, but not to exceed \$61,461,000, shall be available for payment to technicians of the Soil Conservation Service for services in carrying out the conservation programs of the Food Security Act of 1985: Provided further,] That none of the funds in this Act may be used to enter into new contracts that are in excess of the prevailing local rental rates for an
- 4 acre of comparable land [: Provided further, That not to exceed \$385,000,000 of the funds in this Act, or otherwise made available by this Act, shall be available to provide cost share assistance on crop year 1989 acreage during fiscal year 1989; for the purposes of section 202 of the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987 (Public Law 100-119, September 29, 1987), to the extent that this proviso has the effect of transferring an outlay of the United States from one fiscal year to an adjacent fiscal year, such transfer is a necessary (but secondary) result of a significant policy change].

The first and second changes add references to approved CRP contracts as the basis for making CRP payments.

The third change deletes language providing for the transfer of a percentage of Conservation Reserve Program funds to the Soil Conservation Service for technical assistance in carrying out the conservation programs of the Food Security Act of 1985. SCS technical assistance related specifically to the Conservation Reserve Program is normally funded under a separate reimbursable agreement with the SCS, using funds appropriated for CRP. Because the CRP is only one of several conservation programs authorized by the Food Security Act, this deletion is desirable to ensure that the CRP is not the source of funding for SCS technical assistance related to other conservation activities. A more direct method for the funding of SCS technical assistance related to the Food Security Act conservation activities would be through a direct appropriation of funds to the SCS. No net increase in Congressional appropriations would result from the direct funding method.

The fourth change deletes language which placed a restriction on the amount of cost-share assistance which could be paid for crop year 1989 acres in fiscal year 1989. Since the restriction in the appropriation language applied only to crop year 1989 acres during fiscal year 1989, the language is unnecessary for fiscal year 1990. Further, the Department would not favor restrictions on acreage signup which would limit its ability to meet acreage goals in the last signup year of the program.

Conservation Reserve Program

Appropriation Act, 1989.....	\$1,864,000,000
Less: Transfer to other accounts a/.....	-61,461,000
Adjusted Appropriation, 1989.....	1,802,539,000
Budget Estimate, 1990	1,202,000,000
Decrease in Appropriation.....	<u>-600,539,000</u>

a/ Reflects funds transferred to the Soil Conservation Service for technical assistance related to conservation activities under the Food Security Act of 1985, in accordance with Public Law 100-460.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Annual rental payments, cost-sharing, and technical assistance to farmers.....	<u>\$1,802,539,000</u>	<u>-\$600,539,000</u>	<u>\$1,202,000,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Decrease</u>	<u>1990 Estimated</u>
Annual rental payments, and cost-sharing and technical assistance to farmers	\$1,085,760,000	\$1,802,539,000	-\$600,539,000	\$1,202,000,000
Total, appropriation or estimate	<u>\$1,085,760,000</u>	<u>\$1,802,539,000</u>	<u>-\$600,539,000</u>	<u>\$1,202,000,000</u>

PROJECT STATEMENT
(On basis of available funds)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Increase or Decrease</u>	<u>1990 Estimated</u>
Annual rental payments	\$1,036,307a/	\$1,192,049,000	+\$479,999,576	\$1,672,048,576
Cost-sharing assistance	284,828,765	546,806,000	-183,687,800	363,118,200
Technical assistance ..	5,612,152	21,400,000	-18,000,000	3,400,000
Total, program level...	291,477,224	1,760,255,000	+278,311,776	2,038,566,776
Unobligated balance brought forward from prior years.....	--	-794,282,776	-42,284,000	-836,566,776
Unobligated balance carried forward to next year.....	794,282,776	836,566,776	-836,566,776	--
Total, appropriation or estimate	<u>\$1,085,760,000</u>	<u>\$1,802,539,000</u>	<u>-\$600,539,000</u>	<u>\$1,202,000,000</u>

a/ In FY 1988, \$759.1 million of the total annual rental payments of \$760.1 million were paid with CCC certificates. This amount includes a \$2.3 million prior year adjustment for the one-time, one-year bonus, paid as an increased annual rental payment to farmers who enrolled 1987-crop corn base acres into the CRP during the first signup of FY 1987, \$63.9 million for 1986-crop rental payments, and \$692.9 million for 1987-crop rental payments.

EXPLANATION OF PROGRAM

The Conservation Reserve Program was established as a voluntary program to help farmers prevent or control the critical soil erosion occurring on more than a third of America's cropland. The Reserve also helps adjust the production of some surplus agricultural commodities.

The CRP is authorized in all 50 States, Puerto Rico, and the Virgin Islands on highly erodible cropland. It is administered through the Commodity Credit Corporation (CCC) under the general supervision of the Administrator, ASCS, and is carried out by State and local ASC committees. Farmers decide what highly erodible cropland to offer for the reserve and submit bids on the amount they would accept as an annual rental payment for a 10-year period. Farmers whose bids are accepted then enter into a 10-year contract with CCC to take eligible land out of annual crop production and put it into permanent vegetative cover. In addition, farmers receive a one-time payment of 50 percent of the eligible costs of establishing vegetative cover on the reserve acreage.

The Food Security Act establishes the following participation levels:

- o crop year 1986: 5-45 million acres
- o crop year 1987: 15-45 million acres, cumulative
- o crop year 1988: 25-45 million acres, cumulative
- o crop year 1989: 35-45 million acres, cumulative
- o crop year 1990: 40-45 million acres, cumulative.

1989 Program

1. Program Participation. During fiscal year 1989, at least two sign-up periods will be held. The first will be February 6-24, 1989, and the second will be in the summer. About 3.7 million crop year 1989 acres were enrolled in fiscal year 1988. In fiscal year 1989 enrollment of approximately 4.4 million additional crop year 1989 acres is anticipated, making total participation for crop years 1986 through 1989 about 32.5 million acres. Also, about 3.7 million additional acres are expected to be enrolled in advance during fiscal year 1989 for crop year 1990.
2. Eligibility. To be eligible to enter a CRP contract, an applicant must:
 - be an individual, partnership, association, corporation, estate, trust, other business enterprise or legal entity, or State or local subdivision of a State owning or operating State or local croplands.
 - own or operate eligible cropland that
 - o has been planted to an agricultural commodity in at least two of the five years 1981 through 1985.
 - o meets the definition of highly erodible land announced by the Secretary for CRP purposes, or is adjacent to certain specified types of waterbodies.
 - implement an approved conservation plan.
 - refrain from grazing or harvesting any crops from the land enrolled in CRP.
 - reduce the aggregate total of acreage bases, allotments, and quotas for the contract period by an amount based on the ratio of the total cropland acreage and the total acreage subject to the CRP contract.

3. Annual Rental Payments. Annual rental payments, subject to compliance certification, are made after October 1 of the effective year of the contract. Rental payments due in fiscal year 1989 for crop years 1986, 1987 and 1988 rental agreements were made shortly after October 1, 1988, and were paid entirely in cash.
4. Cover Practices. Farm owners and operators receive one-time cost-sharing payments for 50 percent of the eligible costs of establishing vegetative cover on the reserve acreage.
5. Technical Assistance. The technical services of the Soil Conservation Service, Forest Service, and other appropriate agencies are used to carry out the CRP. The SCS determines eligibility of land and assists farmers in preparing conservation plans. The Forest Service and cooperating State forestry agencies help plan and install practices involving trees.
6. New Conservation Measures. Under the Disaster Assistance Act of 1988, owners or operators were authorized to harvest hay, green chop, or green fodder during the 1988 crop year on designated CRP acreage. Those whose fiscal year 1988 CRP annual rental payment was reduced and those who prepaid the payment reduction for the emergency use of CRP acres are now eligible for CRP cost-share assistance of 50 percent of the cost of carrying out new designated conservation practices. Approved practices must be completed on or before September 30, 1989.

JUSTIFICATION OF DECREASE

A decrease of \$600,539,000 in appropriation for estimated expenditures for annual rental payments, cover, and technical assistance costs due in FY 1990 (\$1,802,539,000 available in fiscal year 1989).

Need for Change. In order to make payments for commitments incurred by the Federal Government under Conservation Reserve Program contracts, in accordance with the provisions of the Food Security Act of 1985, funds are needed to make program payments due in fiscal year 1990 only. Although estimated total program costs are higher in fiscal year 1990, a decrease in the 1990 appropriation request is proposed, due to unobligated CRP funds estimated to be available.

The appropriation request and available unobligated balances would fund approximately \$3.4 million in technical assistance as well as \$363 million in cover costs for both prior year contracts and the estimated portion of crop year 1990 cover costs payable in fiscal year 1990 on the enrollment of approximately 7.5 million 1990-crop acres. The request would also fund projected annual rental payments of \$1.672 billion due in fiscal year 1990 on 1986, 1987, 1988, and 1989-crop acres. These rental payments correspond to 32.5 million enrolled acres.

The decrease in cover costs of almost \$184 million in fiscal year 1990 is due primarily to a revised cost distribution pattern which now projects outlays for crop year cover costs over a period of three fiscal years rather than one, and the fact that more cover will be established in fiscal year 1989 to compensate for lower than expected cover costs in fiscal year 1988 due to drought conditions. The estimated increase of \$480 million in rental payments, from \$1.192 billion in fiscal year 1989 to \$1.672 billion in fiscal year 1990, is due to new rental payments on the estimated 8 million 1989-crop acres that will be due in fiscal year 1990.

An estimated 7.5 million 1990-crop acres, planned to be enrolled during fiscal year 1989 and 1990, will bring total acreage under the program to 40 million. However, rental payments on these acres would not be due until fiscal year 1991. Therefore, funds to make crop year 1990 rental payments will be requested in the fiscal year 1991 budget.

Nature of Change. The fiscal year 1990 appropriation request of \$1.202 billion, together with the estimated \$836.6 million in unobligated balances brought forward from fiscal year 1989, would provide: \$363 million for cost-sharing practices to establish cover on acres enrolled in prior years and on newly enrolled acres; \$1.672 billion for cash rental payments for 1986, 1987, 1988, and 1989-crop acreage contracts signed during fiscal years 1986, 1987, 1988, and 1989; and \$3.4 million for Soil Conservation Service, Forest Service and other technical assistance. No CCC commodity certificates were used to pay rental payments in fiscal year 1989 and none are proposed in fiscal year 1990.

Actual and projected CRP enrollment by crop and fiscal year (in millions of acres) is as follows:

<u>Crop Year</u>	<u>Actual FY 1986</u>	<u>Actual FY 1987</u>	<u>Actual FY 1988</u>	<u>Estimated FY 1989</u>	<u>Estimated FY 1990</u>	<u>Crop Year Total</u>
1986	1.94	--	--	--	--	1.94
1987	6.18	7.49	--	--	--	13.67
1988	--	6.44	2.31	--	--	8.75
1989	--	--	3.66	4.43	--	8.09
1990	--	--	--	3.70	3.85	7.55
Total	8.12	13.93	5.97	8.13	3.85	40.00

COMMODITY CREDIT CORPORATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Temporary Emergency Food Assistance Program:

- 1 [For necessary expenses to carry out the Temporary Emergency Food Assistance Act of 1983, as amended, \$50,000,000: Provided, That, in accordance with section 202 of Public Law 98-92, these funds shall be available only if the Secretary determines the existence of excess commodities].

For purchases of commodities to carry out the Temporary Emergency Food Assistance Act of 1983, as amended by section 104 of the Hunger Prevention Act of 1988, \$120,000,000.

This change proposes deletion of language providing Federal cost sharing of intrastate distribution expenses. States are expected to maintain their current intrastate distribution funding levels. USDA remains committed to the distribution of available surplus commodities through the Temporary Emergency Food Assistance Program and legislation will be proposed to extend the program beyond its September 30, 1989, expiration.

TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM

Appropriations Act, 1989	\$170,000,000
Budget Estimate, 1990	<u>120,000,000</u>
Decrease in Appropriation	<u>-50,000,000</u>

SUMMARY OF DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Change</u>	<u>1990 Estimated</u>
Temporary Emergency Food Assistance	<u>\$170,000,000</u>	<u>-\$50,000,000</u>	<u>\$120,000,000</u>

PROJECT STATEMENT
(On basis of appropriation)

<u>Project</u>	<u>: 1988 : Actual</u>	<u>: 1989 : Estimated</u>	<u>: Decrease</u>	<u>: 1990 : Estimated</u>
Temporary Emergency Food Assistance.....	<u>:\$50,000,000</u>	<u>:\$170,000,000</u>	<u>-\$50,000,000</u>	<u>:\$120,000,000</u>

EXPLANATION OF PROGRAM

Overview of Program Development. The Temporary Emergency Food Assistance Program (TEFAP) evolved from the Special Dairy Distribution Program which began December 11, 1981, with the release of 30 million pounds of cheese. The program has the dual goal of reducing the temporary government held dairy surpluses and providing emergency food assistance to low-income individuals and households. TEFAP was formally authorized in 1983 by Section 204 of Public Law 98-8 including the provision of funds to State and local agencies to share some of the cost of intrastate distribution of the commodities.

Public Law 98-92 appropriated funds for Fiscal Year 1983 and authorized funds through Fiscal Year 1985 for costs of storage and intrastate distribution of CCC commodities donated to individuals by States. Public Law 100-77 authorized funds through Fiscal Year 1988 for this purpose.

The Hunger Prevention Act of 1988 authorized for Fiscal Years 1989 and 1990 \$50 million for continued support of State administrative activities and \$120 million for the purchase and distribution of additional commodities that are high in nutrient content, as well as safely and easily stored and used. The purchased commodities are in addition to surplus commodities that can be made available from USDA inventories.

Eligibility. Commodities are distributed to the States which, in turn, provide them to low-income and unemployed persons, according to income-based eligibility criteria set by the States. Commodities are allocated to States using a formula based on the number of unemployed persons and persons in poverty.

Benefit. USDA provides commodities and cash subsidies for State and local expenses incurred for storage and distribution of USDA donated commodities. USDA will distribute butter, flour, cornmeal and honey in Fiscal Year 1989. USDA does not project sufficient acquisition of commodities through normal price support and surplus removal programs to continue to distribute cheese, non-fat dried milk or rice in Fiscal Year 1989. However, through the Hunger Prevention Act of 1988, funds have been provided so that USDA may purchase foods high in nutrient density specifically for distribution via TEFAP.

In Fiscal Year 1989, USDA plans to purchase and distribute: 54 million pounds of peanut butter (in 2 lb. jars), 23.7 million pounds of canned dry beans (in 1 lb. cans), 37.5 million pounds of canned pork (in 2.9 oz. cans), 8.5 million pounds of raisins (in 1 lb. packages) and 13.5 million pounds of egg mix (in 5 oz. packages).

Administrative funds are distributed by the Food and Nutrition Service to States through grants. Allocation of the funds to States is based on a formula which considers the States' number of unemployed persons and the number of persons with incomes below the poverty level.

State/Federal Responsibilities. The Temporary Emergency Food Assistance Program operates as a Federal/State partnership under agreements entered into between FNS and State Agencies. Within the States, distribution to emergency feeding organizations and receipt of payments for storage and distribution is the responsibility of State Distributing Agencies, as designated by the Governor, according to State Plans entered into between the States and the Department. States are responsible for requesting commodities only in quantities that can be efficiently utilized by emergency feeding organizations, establishing criteria for determining the eligibility of households to receive commodities, and managing the distribution of commodities to local organizations. States are also responsible for ensuring that local emergency feeding organizations comply with all Federal program regulations and requirements.

State administrative costs are subsidized by the Federal government. However, States must pass down at least 40 percent of their administrative funding to local organizations. Over two-thirds (68 percent) of all State distributing agency costs are for contracted services such as warehousing and delivery of commodities.

State distributing agencies coordinate the activities of about 1,860 emergency feeding organizations, which in turn serve 20,000 distribution sites nationwide. Most distribution sites are churches (32 percent) and community action agencies (27 percent), and have other principal purposes unrelated to food distribution. They are staffed largely by volunteers.

The Federal government pays 100 percent of the costs of surplus commodities donated to States, plus \$120 million in purchased commodities and \$50 million administrative funds. USDA also pays for processing the commodities into household size packages, and shipping them to locations within the states.

JUSTIFICATION OF DECREASES

- (1) A decrease of \$50,000,000 for the temporary storage and distribution of commodities.

Need for Change. In Fiscal Year 1990, \$120 million in mandated purchased commodities, plus such CCC bonus commodities as can be made available, will be provided to States for distribution via this program. Since CCC inventories and acquisitions have significantly declined due to the success of the farm programs, bonus distributions are expected to be smaller than in the past. For example, CCC dairy inventories have decreased from a peak of 2.6 billion at the end of Fiscal Year 1983 to an estimated 214 million pounds of uncommitted inventory at the end of Fiscal Year 1988. With distribution expected to shrink, and States expected to maintain their current levels of support, Federal sharing of State distribution costs is no longer necessary. The infrastructure of this program is well established and flexible. Distribution of Federal and non-Federal commodities at the local level relies largely on volunteer organizations such as churches (32 percent) and community action agencies (27 percent). About two-thirds of all State level distributing agency costs are for contracted services such as warehousing and delivery of commodities which can easily be reduced to accommodate diminished Federal commodity distributions. While the States provided only about 12 percent of the funds required for State distribution at the program's peak, this level of support will be proportionately much larger at lower distribution levels. This is the only major bonus commodity program which has provided administrative funding for bonus commodities.

Nature of Change. No funds are requested for the costs of storage and intrastate distribution in Fiscal Year 1990. If excess commodities become available for distribution to needy persons, State, local and voluntary resources can be used for storage and intrastate distribution.

Temporary Emergency Food Assistance Program
ADMINISTRATIVE EXPENSE FUNDING

Fiscal Years 1988-1990

State or Territory	Actual 1988	:	Estimated 1989	:	Estimated 1990
Alabama-----	\$1,121,797	:	\$1,082,412	:	\$0
Alaska-----	0	:	0	:	0
Arizona-----	631,761	:	638,172	:	0
Arkansas-----	654,233	:	687,840	:	0
California-----	4,815,163	:	5,072,868	:	0
Colorado-----	674,320	:	602,220	:	0
Connecticut-----	416,686	:	417,596	:	0
Delaware-----	96,925	:	101,588	:	0
District of Columbia----	118,193	:	170,104	:	0
Florida-----	2,076,605	:	2,162,536	:	0
Georgia-----	1,302,936	:	1,481,036	:	0
Hawaii-----	149,420	:	141,480	:	0
Idaho-----	221,232	:	201,128	:	0
Illinois-----	2,588,591	:	2,462,864	:	0
Indiana-----	1,006,031	:	930,556	:	0
Iowa-----	454,202	:	452,532	:	0
Kansas-----	387,525	:	404,672	:	0
Kentucky-----	1,110,002	:	1,080,040	:	0
Louisiana-----	1,388,745	:	1,393,672	:	0
Maine-----	214,909	:	216,488	:	0
Maryland-----	580,372	:	728,948	:	0
Massachusetts-----	859,090	:	866,240	:	0
Michigan-----	2,047,289	:	2,001,752	:	0
Minnesota-----	674,990	:	614,108	:	0
Mississippi-----	919,431	:	873,216	:	0
Missouri-----	1,017,825	:	1,009,036	:	0
Montana-----	169,697	:	175,424	:	0
Nebraska-----	261,920	:	243,080	:	0
Nevada-----	158,361	:	160,120	:	0
New Hampshire-----	116,723	:	119,000	:	0
New Jersey-----	875,001	:	1,175,580	:	0
New Mexico-----	385,227	:	398,980	:	0
New York-----	3,515,823	:	3,385,576	:	0
North Carolina-----	1,233,239	:	1,178,552	:	0
North Dakota-----	121,838	:	120,908	:	0
Ohio-----	2,125,608	:	2,022,120	:	0
Oklahoma-----	733,462	:	678,724	:	0
Oregon-----	502,293	:	543,108	:	0
Pennsylvania-----	2,126,395	:	2,152,352	:	0
Rhode Island-----	150,551	:	143,324	:	0
South Carolina-----	747,324	:	722,252	:	0
South Dakota-----	144,699	:	147,144	:	0
Tennessee-----	1,215,726	:	1,166,052	:	0
Texas-----	4,065,785	:	3,937,772	:	0
Utah-----	289,858	:	262,292	:	0
Vermont-----	85,848	:	79,120	:	0
Virginia-----	875,892	:	954,184	:	0
Washington-----	896,383	:	839,628	:	0
West Virginia-----	477,636	:	479,292	:	0
Wisconsin-----	788,895	:	707,884	:	0
Wyoming-----	92,212	:	73,156	:	0
American Samoa-----	0	:	0	:	0
Freely Associated States-	0	:	0	:	0
Guam-----	27,295	:	28,588	:	0
N. Mariana Islands-----	10,600	:	10,928	:	0
Puerto Rico-----	2,249,633	:	2,272,984	:	0
Virgin Islands-----	27,803	:	28,772	:	0
Indian Tribes-----	0	:	0	:	0
DOD Army/AF-----	0	:	0	:	0
Undistributed-----	-662	:	0	:	0
TOTAL-----	\$49,999,338		\$50,000,000		\$0

GENERAL SALES MANAGER

Permanent Positions by Grade and Staff-Year Summary

1988 and Estimated 1989 and 1990

Grade	1988			1989			1990		
	:Headquarters:	Field :	Total :	:Headquarters:	Field :	Total :	:Headquarters:	Field :	Total :
ES-6	--	--	--	--	--	--	--	--	--
ES-5	1	--	1	1	--	1	1	--	1
ES-4	--	--	--	--	--	--	--	--	--
ES-3	--	--	--	--	--	--	--	--	--
GS/GM-15	6	--	6	6	--	6	6	--	6
GS/GM-14	16	--	16	16	--	16	16	--	16
GS/GM-13	16	--	16	16	--	16	17	--	17
GS-12	33	--	33	33	--	33	35	--	35
GS-11	6	--	6	6	--	6	7	--	7
GS-10	--	--	--	--	--	--	--	--	--
GS-9	4	--	4	4	--	4	6	--	6
GS-8	3	--	3	3	--	3	5	--	5
GS-7	9	--	9	9	--	9	11	--	11
GS-6	16	--	16	16	--	16	16	--	16
GS-5	2	--	2	2	--	2	2	--	2
GS-4	4	--	4	4	--	4	4	--	4
GS-3	--	--	--	--	--	--	--	--	--
GS-2	--	--	--	--	--	--	--	--	--
Other Graded Positions	--	--	--	--	--	--	--	--	--
Ungraded Positions.	--	--	--	--	--	--	--	--	--
Total Permanent Positions	116	--	116	116	--	116	126	--	126
Staff Years:									
Ceiling	116	--	116	116	--	116	126	--	126
Non-Ceiling	--	--	--	--	--	--	--	--	--
TOTAL	116	--	116	116	--	116	126	--	126

COMMODITY CREDIT CORPORATION

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

General Sales Manager (Allotment from Commodity Credit Corporation):

- Not to exceed [\$7,200,000] \$7,630,000 may be transferred from the Commodity Credit Corporation funds to support the General Sales Manager[, of which up to \$4,000,000 shall be available only for the purpose of selling surplus agricultural commodities from Commodity Credit Corporation inventory in world trade at competitive prices for the purpose of regaining and retaining our normal share of world markets]. The General Sales Manager shall report directly to the Secretary of Agriculture. The General Sales Manager shall obtain, assimilate, and analyze all available information on developments related to private sales, as well as those funded by the Corporation, including grade and quality as sold and as delivered, including information relating to the effectiveness of greater reliance by the General Sales Manager upon loan guarantees as contrasted to direct loans for financing commercial export sales of agricultural commodities out of private stocks on credit terms, as provided in titles I and II of the Agricultural Trade Act of 1978, Public Law 95-501, and
- 1 shall submit [quarterly] annual reports to the appropriate committees of Congress concerning such developments.
 - 2

The first change in language deletes restrictive appropriations language which is unnecessary.

The second change proposes to change the quarterly reporting requirement to an annual reporting requirement.

GENERAL SALES MANAGER
ALLOTMENT FROM COMMODITY CREDIT CORPORATION

Allotment, 1989	\$7,200,000
Budget Estimate, 1990	7,630,000
Increase in Allotment	+ 430,000
	=====

SUMMARY OF INCREASES AND DECREASES
(On basis of allotment)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
General Sales Manager	\$7,200,000	+ \$430,000	\$7,630,000

PROJECT STATEMENT
(On basis of allotment)

Project	: 1988 Actual	: 1989 Estimated	: 1990 Estimated
	: Staff-:	: Staff-:	: Staff-:
	: Amount	: Amount	: Amount
	: Years	: Years	: Years
	: Increase		
General Sales	:	:	:
Manager	\$7,157,000 : 116	\$7,200,000 : 116	+\$430,000(1):\$7,630,000 : 126
Total available or	:	:	:
estimate	\$7,157,000 : 116	\$7,200,000 : 116	+\$430,000(1):\$7,630,000 : 126
	=====		

EXPLANATION OF PROGRAM

The General Sales Manager was established pursuant to Section 5(f) of the Charter of the Commodity Credit Corporation and 15 U.S.C. 714-714p. The funds allocated are used for conducting the following programs:

(1) CCC Export Credit Guarantee Program (GSM-102), (2) Intermediate Credit Guarantee Program (GSM-103), (3) Export Enhancement Program, (4) Targeted Export Assistance Program, (5) Public Law 480, (6) Section 416 Overseas Donations program, (7) Food for Progress, and (8) programs authorized by the Commodity Credit Corporation Charter Act including barter, export sales of CCC-owned commodities, export payments and other programs as assigned to encourage or cause the export of U.S. agricultural commodities.

REVIEWS COMMENCED DURING FY 1988

GAO Reviews

Code 901451	Review of Federal Guaranteed and Insured Loan Programs	Review of Government-wide guaranteed loan programs
Code 483499	U.S. Export Tobacco Content	Review of program administration
Code 483495	Survey of Export Enhancement Program	Review of program administration

OIG Reviews

07099-16-Hy Food for Progress	Review of program administration
07099-17-Hy Export Enhancement Program	Review of program administration

07099-51-Hy	Survey of Ocean Freight Rates	Review of program administration
07099-1-AT	FAS GSM 102/103 Tobacco Sales	Review of program administration
At-720-1	Violation of GSM 102/103 Regulations	Investigation
Hq-754-1	Violation of EEP Regulations	Investigation
Wa-3620-1W	Violation of P.L. 480 Program Regulations	Investigation
SF-754-2	Violation of Export Credit Guarantee Program Regulations	Investigation
Hy-752-2	Violation of P.L. 480 Program Regulations	Investigation
07097-1-SF	FAS GSM 102/103 Seed Sales	Review of program administration

REVIEWS COMPLETED DURING FY 1988

GAO Reviews

Code 308776	Feasibility of Using CCC-Owned Commodities to Finance Construction of Ethanol Plants	Feasibility study
Code 483475	International Trade: CCC's Refunds of Export Credit Guarantee Fees	Review of program administration
Code 483430	International Trade: CCC's Export Credit Guarantee Program	Review of program administration

OIG Reviews

50659-2-Ch	Dairy Termination Program	Review of program administration
07099-7-Hy	P.L. 480 Title I U.S. Flag Vessel Rates	Review of program administration
50099-32-Hy	P.L. 480 Title II Evaluation of Program Objectives	Review of program administration

JUSTIFICATION ON INCREASES AND DECREASES

- (1) An increase of \$430,000 for the General Sales Manager (\$7,200,000 available in 1989).

Need for Change. The initial implementation of the Targeted Export Assistance Program (TEA) has been accomplished without corresponding increases in administrative resources. For fiscal year 1989, the mandated program level has basically doubled to \$200 million and based on current law could increase to \$325 million in fiscal year 1990. This rapid growth is bringing new participants into the program and is requiring the expenditure of additional personnel resources in the analysis and evaluation of TEA proposals. As all available resources have been necessarily dedicated to program implementation, evaluation activities associated with TEA have come under criticism by both the OIG and GAO.

Nature of Change. This increase will provide the resources necessary to support 10 staff-years which will be dedicated to TEA program administration and evaluation, including expanded on-site compliance reviews of TEA participant programs.

General Sales Manager
Allotment from Commodity Credit Corporation
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 and Estimated 1989 and 1990

	<u>1988</u>		<u>1989</u>		<u>1990</u>	
	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>
District of Columbia	\$7,157,000	116	\$7,200,000	116	\$7,630,000	126
Total, Available						
or Estimate . . .	\$7,157,000	116	\$7,200,000	116	\$7,630,000	126
	=====					

HUMAN NUTRITION INFORMATION SERVICE

Purpose Statement

The Human Nutrition Information Service (HNIS) was established October 1, 1981, by the Secretary's Memorandum No. 1000-1 issued pursuant to Reorganization Plan No. 2 of 1953 (7 U.S.C. 2201). Most of the functions of this Agency have been carried out by USDA for several decades. HNIS activities are in one major category: Research, Analysis and Technical Assistance which is concerned with the conduct and interpretation of applied research in human nutrition to improve professional and public understanding of food consumption by U.S. households and individuals and nutritional adequacy of diets and food supplies, as well as the nutritive value of food, and to develop knowledge needed to improve the nutritional quality of diets, thereby improving the general health of the American public.

The Agency has primary responsibility for the Department's role in the National Nutrition Monitoring System and in formulating dietary guidelines for healthy Americans. It is the primary national resource for information on the nutritive value of foods.

The Agency is located at Hyattsville, Maryland, and Beltsville, Maryland. As of September 30, 1988, there were 80 full-time permanent and 14 part-time employees.

HUMAN NUTRITION INFORMATION SERVICE

Available Funds and Staff-Years1988 Actual and Estimated 1989 and 1990

Item	1988		1989		1990	
	Actual		Estimated		Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Salaries and Expenses.....	\$8,623,000:	89	\$8,823,000:	90	\$9,468,000:	90
Obligations under other USDA	:	:	:	:	:	:
appropriations:	:	:	:	:	:	:
Agricultural Research Service:	:	:	:	:	:	:
for upgrading mainframe	:	:	:	:	:	:
computer.....	--	--	45,000:	--	--	--
Food Safety and Inspection	:	:	:	:	:	:
Service to conduct	:	:	:	:	:	:
Diet/Health Survey 1989.....	75,000:	--	75,000:	--	--	--
Total, Other USDA	:	:	:	:	:	:
Appropriations.....	75,000:	--	120,000:	--	--	--
Total, Agriculture	:	:	:	:	:	:
Appropriations.....	\$8,698,000:	89	8,943,000:	90	\$9,468,000:	90
Other Federal Funds:	:	:	:	:	:	:
National Institutes of	:	:	:	:	:	:
Health, DHHS, for	:	:	:	:	:	:
acquisition and composition:	:	:	:	:	:	:
of data for publication in :	:	:	:	:	:	:
the revised Handbook of	:	:	:	:	:	:
Food Composition.....	75,000:	--	75,000:	--	--	--
Total, Human Nutrition	:	:	:	:	:	:
Information Service.....	\$8,773,000:	89	\$9,018,000:	90	\$9,468,000:	90

Full-Time Equivalent Staff-Years:	1988	1989	1990
	Actual	Estimated	Estimated
Ceiling.....	89	90	90
Non-ceiling.....	--	--	--
Total	89	90	90

HUMAN NUTRITION INFORMATION SERVICE
Permanent Positions by Grade and Staff-Year Summary
1988 and Estimated 1989 and 1990

Grade	1988 Headquarters	1989 Headquarters	1990 Headquarters
GS/GM-15	4	4	4
GS/GM-14	5	5	5
GS/GM-13	12	12	12
GS-12	11	13	13
GS-11	18	15	15
GS-9	10	11	11
GS-8	1	1	1
GS-7	4	4	4
GS-6	6	6	6
GS-5	6	6	6
GS-4	2	2	2
GS-3	0	1	1
GS-2	1	0	0
Total Permanent Positions.....	80	80	80
Staff Years:			
Ceiling.....	89	90	90
Non-Ceiling.....	--	--	--
TOTAL.....	89	90	90

HUMAN NUTRITION INFORMATION SERVICE

CLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation:			
Headquarters:			
11 Total personnel compensation.....	\$ 2,994,352	\$ 2,960,000	\$ 2,960,000
12 Personnel Benefits.....	447,922	600,000	600,000
13 Benefits for former personnel.....	---	--	--
Total Pers. Comp. & Benefits.....	<u>3,442,274</u>	<u>3,560,000</u>	<u>3,560,000</u>
Other Objects:			
21 Travel.....	47,143	80,000	80,000
22 Transportation of things.....	2,487	5,000	5,000
23.2 Rental payments to others.....	---	---	---
23.3 Communications, utilities, and misc. charges.....	61,795	100,000	100,000
24 Printing and reproduction.....	32,274	100,000	100,000
25 Other services.....	4,341,842	4,798,000	5,403,000
26 Supplies and materials.....	69,263	70,000	80,000
31 Equipment.....	208,070	110,000	140,000
41 Grants, subsidies, and contributions.....	<u>10,000</u>	<u>--</u>	<u>--</u>
Total other objects.....	<u>4,772,874</u>	<u>5,263,000</u>	<u>5,908,000</u>
Total direct obligations.....	<u>8,215,148</u>	<u>8,823,000</u>	<u>9,468,000</u>
Position Data:			
Average Salary, GS positions.....	\$32,852	\$31,550	\$31,550
Average Grade, GS positions.....	10.2	10.2	10.2

HUMAN NUTRITION INFORMATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses

For necessary expenses to enable the Human Nutrition Information Service to perform applied research and demonstrations relating to human nutrition and consumer use and economics of food utilization [\$8,823,000] \$9,468,000: Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225).

SALARIES AND EXPENSES

Appropriation Act, 1989	\$8,823,000
Budget Estimate, 1990	<u>9,468,000</u>
Increase in Appropriation	<u>+645,000</u>

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Human Nutrition Information Service	\$8,823,000	+\$645,000	\$9,468,000

PROJECT STATEMENT

(On basis of appropriation)

<u>Project</u>	<u>: 1988 Actual</u>	<u>: 1989 Estimated :</u>	<u>: 1990 Estimated:</u>
	<u>: Staff-:</u>	<u>: Staff-:</u>	<u>: Staff-:</u>
	<u>: Amount :Years :</u>	<u>: Amount :Years :</u>	<u>: Increase: Amount :Years :</u>
1. Research, Analysis and	:	:	:
Technical Assistance..	8,215,148: 89	: 8,823,000: 90	: +645,000: 9,468,000: 90 :
Unobligated Balance.....	407,852: --	: --- : --	: --- : --- : --:
Total available or	:	:	:
estimate.....	8,623,000: 89	: 8,823,000: 90	: +645,000: 9,468,000: 90 :
Total appropriations.....	8,623,000: 89	: 8,823,000: 90	: +645,000: 9,468,000: 90 :

EXPLANATION OF PROGRAM

The appropriation "Salaries and Expenses" of the Human Nutrition Information Service funds the activities authorized by Sections 1451-1453 and 1589 of Public Law 99-198 (7 U.S.C. 3173 note and 3178a). The activities carried out are as follows:

- Research, Analysis, and Technical Assistance - This activity is concerned with the conduct and interpretation of applied research in human nutrition to improve professional and public understanding of the nutritional adequacy of diets and food supplies as well as the nutritive value of foods and to develop knowledge needed to improve the nutritional quality of diets, thereby improving the general health of the American public.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$645,000 for expansion of extramural analyses for the Nationwide Food Consumption Survey-1987 and the Continuing Survey of Food Intakes by Individuals - 1989-90.

Need for Change. Data collection of NFCS 1987-88 was completed in 1988 and data collection for the CSFII was initiated in 1989 and will be continued through 1990.

Nature of Change. Indepth extramural analysis of NFCS-1987 will be completed and major analysis of CSFII 1989 and 1990 will be initiated.

Studies will include analysis of food and eating patterns at home and away and their effect on dietary adequacy; food money management; and diet and health knowledge with respect to eating patterns and dietary adequacy. These studies will provide a new basis for the Agency's Nutritional Education and Dietary Guidance programs.

HUMAN NUTRITION INFORMATION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 and Estimated 1989 and 1990

	<u>1988</u>		<u>1989</u>		<u>1990</u>	
	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>
Maryland.....	\$8,215,148	89	\$8,823,000	90	\$9,468,000	90
Total, Available or Estimate.....	\$8,215,148	89	\$8,823,000	90	\$9,468,000	90

FOOD AND NUTRITION SERVICE

Purpose Statement

The Food and Nutrition Service (FNS) was established August 8, 1969, by Secretary's Memorandum No 1659 and Supplement 1 pursuant to the authority contained in 5 U.S.C. 301 and the Reorganization Plan No. 2 of 1953.

The Food and Nutrition Service administers food assistance programs which provide access to a more nutritious diet for persons with low incomes and which encourage better eating patterns among the nation's children. The programs are:

Food Stamp Program. Food stamps are issued to eligible low-income households to enable them to obtain a better diet by increasing their food purchasing power. The program is a Federal-State partnership with the Federal Government paying the full cost of food stamps, expected to be about \$12 billion in Fiscal Year 1990. The Federal Government also will provide about \$1.3 billion in Fiscal Year 1990 to fund over half of the expenses incurred by the States to administer the program, including recipient household certification, food coupon issuance and employment and training activities for recipients. Funds for this program are provided by direct appropriation.

Nutrition Assistance for Puerto Rico. This program provides grant funds to the Commonwealth of Puerto Rico to operate a food assistance program specifically tailored to the needs of its low-income citizens provided that the program assures assistance for the most needy persons in the jurisdiction. Puerto Rico has established eligibility standards and administrative mechanisms approved by FNS to assist low-income households with cash grants, rather than food stamps or coupons. This assistance is intended to supplement recipients' income to help them purchase food for an adequate diet. A small portion of the grant may also be used to stimulate local food production and distribution activities. Funds for this program are provided by direct appropriation.

Child Nutrition Programs. The purpose of the Child Nutrition Programs -- the National School Lunch, School Breakfast, Summer Food Service and Child Care Food Programs -- is to assist State and local governments in providing food services for children in public and nonprofit private schools, child care institutions and summer recreation programs. FNS provides the States cash and commodities on a per meal basis to offset the cost of food service and cash to offset a portion of State administrative expenses, sponsor administrative expenses and technical assistance. FNS also administers the various child nutrition programs directly in cases where the State has chosen not to administer the programs. In addition to the cash and commodity assistance provided for all meals, substantially higher cash rates are paid as special assistance for meals served free or at a reduced price to children from low income families. Funds for these programs are provided by direct appropriation and by transfer from Section 32.

Special Milk Program. The Special Milk Program provides funding for milk service in some kindergartens, as well as in schools, nonprofit child care centers and camps which have no other federally assisted food programs. Milk is provided to children either free or at a low cost. The Food and Nutrition Service provides cash subsidies to State administered programs and directly administers the program in the States which have chosen not to administer the program. Funds for this program are provided by direct appropriation.

Special Supplemental Food Program (WIC). The purpose of the WIC program is to improve the health of low income pregnant, breastfeeding and postpartum women, infants and children up to their fifth birthday. This is achieved by providing food packages designed to supplement each participant's diet with foods that nutritional research indicates are typically lacking in the WIC target population and by providing eligibles nutrition education and access to health services. In addition to paying the full cost of the food packages, appropriated funds are provided to assist States in sharing administrative and nutrition education costs for the program.

Commodity Supplemental Food Program (CSFP). The first priority of the CSFP is to improve the health of low-income pregnant, breastfeeding and postpartum women, infants and children up to their sixth birthday, a target population similar to that of the WIC program. The next priority of CSFP is to provide supplemental food packages to improve the health of the low income elderly -- 60 years of age or older. The foods are purchased directly by the Department of Agriculture and distributed through State and local agencies to eligible women, infants, children and the elderly. The Food and Nutrition Service provides cash assistance to distributing agencies to offset their operating expenses at a rate of 15 percent of appropriated funding plus 15 percent of the value of donated commodities.

Cash and Commodities for Selected Groups

Food Distribution Program on Indian Reservations (FDPIR). This program provides nutrition assistance to low income American Indians living on or near reservations. Through monthly distribution from local warehouses, participating Indians receive a variety of commodities to help maintain a healthy diet. Participating agencies can order food items according to households' preferences. They also receive information on proper nutrition, food storage, sanitary food preparation methods and suggestions for use of the commodities. Funds to purchase commodities and pay expenses for this program are provided by direct appropriation and are supplemented by commodities purchased under farm program authorities and distributed at no charge against the funds appropriated.

Nutrition Program for the Elderly. This program provides cash and commodities to States for distribution to local organizations that prepare meals served to elderly persons in congregate settings or delivered to their homes. The program promotes good health through nutrition assistance and through reducing the isolation of old age. USDA participates in this program by supplementing the Department of Health and Human Services' funding for programs for the elderly with cash and commodities on a per meal basis for each meal served to an elderly person. Funds for this program are provided by direct appropriation.

Through the Compact of Free Association Act of 1985, limited commodity and cash support is provided to the former Trust Territories of Micronesia, Marshall Islands and Palau.

Temporary Emergency Food Assistance Program (TEFAP). The Temporary Emergency Food Assistance Program helps States to relieve situations of emergency hunger and distress by making available surplus foods from USDA farm support program inventories. The program also provides funds to States to aid in the intrastate storage and distribution of these foods. In addition to surplus commodities, USDA also purchases and distributes to States foods that are high in nutrient density, easily and safely stored and are convenient to use and consume.

The allocation of both commodities and administrative expense grants to the States is based on a formula which considers the States' unemployment level and the number of persons with incomes below the poverty level. Funds for this program are provided by direct appropriation.

Food Program Administration. This account funds Federal personnel compensation, benefits and other operating expenses of the Food and Nutrition Service. FNS administers the Food Stamp, Child Nutrition, Supplemental Feeding and other programs described above in a Federal-State partnership in which State agencies and local entities directly operate most programs. FNS implements program statutes through promulgation of regulations and instructions; training and assistance to State agencies; funds allocation and control; program monitoring and evaluation; and program policy and development.

Agency headquarters are in Alexandria, Virginia. Regional offices are at seven locations: Boston, Massachusetts; Robbinsville, New Jersey; Atlanta, Georgia; Chicago, Illinois; Dallas, Texas; Denver, Colorado; and San Francisco, California. On September 30, 1988, FNS employed 1,828 full time permanent and

57 part time and temporary employees, of which 594 were in the headquarters office and 1,291 in the field. Of the field total, 885 employees were stationed in seven regional offices and the balance in six Food Stamp Compliance offices; one computer support center in Minneapolis, Minnesota; five Administrative Review offices and 64 field offices. Funds for these activities are provided by direct appropriation.

FOOD AND NUTRITION SERVICE
Available Funds and Staff-Years
1988 Actual and Estimated, 1989 and 1990

Page 1 of 2

Item	1988		1989		1990	
	Actual		Estimated		Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Child Nutrition Programs:						
Appropriation.....	679,826,000		497,544,000		693,426,000	
Transfer from						
Section 32.....	3,817,803,000		4,093,272,000		4,156,554,000	
Total - Child	[a]		[b]		[c]	
Nutrition Programs.....	4,497,629,000	57	4,590,816,000	130	4,849,980,000	180
	[d]		[e]		[f]	
Special Milk Program.....	21,500,000		19,925,000		20,449,000	
Supplemental Feeding	[g]		[h]			
Programs.....	1,852,363,000		1,979,362,000		2,023,390,000	
	[i]					
Food Stamp Program.....	12,678,507,000	6	12,690,705,000		13,263,485,000	
Nutrition Assistance						
for Puerto Rico.....	879,250,000		908,250,000		825,000,000	
Cash and Commodities for						
Selected Groups.....	194,108,000		239,147,000		246,510,000	
Temporary Emergency Food						
Assistance Program.....	50,000,000		170,000,000		120,000,000	
Food Program Administration	85,828,000	1,815	89,223,000	1,865	96,830,000	1,915
Total, Food and Nutrition						
Service Funds.....	20,259,185,000	1,878	20,687,428,000	1,995	21,445,644,000	2,095
Obligations under other						
USDA Appropriations:						
Human Nutrition Information						
Service for Administrative						
Support.....	210,000	5	210,000	5	210,000	5
Office of International						
Cooperation and Development..	73,000	1				
Farmers Home Administration..	11,518					
Soil Conservation Service...	8,000					
Agricultural Research						
Service.....	10,000					
Forest Service.....	8,000	1				
Agricultural Stabilization						
and Conservation Service....	7,500					
Miscellaneous Reimbursements:	22,579					
Total, Other USDA						
Appropriations.....	350,597	7	210,000	5	210,000	5

FOOD AND NUTRITION SERVICE
Available Funds and Staff-Years
1988 Actual and Estimated, 1989 and 1990

Page 2 of 2

Item	1988		1989		1990	
	Actual		Estimated		Estimated	
	Amount	Staff : Years	Amount	Staff : Years	Amount	Staff : Years
Other Federal Funds:						
Army Audit Agency						
for Health Services.....	8,065					
Internal Revenue Service....	1,262					
Total, Other Federal Funds..	9,327					
Total, Food and						
Nutrition Service.....	20,259,544,924	1,885	20,687,638,000	2,000	21,445,854,000	2,100

Full-Time Equivalent Staff Years:	1988	1989	1990
	Actual	Estimated	Estimated
Ceiling.....	1,885	2,000	2,100
Non-Ceiling.....	30	37	51
Total.....	1,915	2,037	2,151

[a] Excludes \$28,117,921 in unobligated balances.

[b] Excludes \$266,243,759 in unobligated balances.

[c] Excludes \$182,353,000 in unobligated balances.

[d] Excludes \$2,358,000 in unobligated balances and \$1,824,340 in recoveries of PY obligations.

[e] Excludes \$3,563,666 in unobligated balances.

[f] Excludes \$2,791,666 in unobligated balances.

[g] Excludes \$745,991 in unobligated balances and \$580,025 in recoveries of PY obligations.

[h] Excludes \$10,254,581 in unobligated balances.

[i] Includes transfer of \$39,627,000 to Extension Service.

FOOD AND NUTRITION SERVICE

Permanent Positions by Grade and Staff-Year Summary

1988 and Estimated 1989 and 1990

	1988			1989			1990		
	Headquarters: Field : Total			Headquarters: Field : Total			Headquarters: Field : Total		
ES-5	3	1	4	3	1	4	3	1	4
ES-4	1	6	7	1	6	7	1	6	7
ES-3	2	1	3	2	1	3	2	1	3
ES-2	1	0	1	1	0	1	1	0	1
ES-1	0	0	0	0	0	0	0	0	0
GS/GM-15	21	7	28	21	7	28	21	7	28
GS/GM-14	64	32	96	65	32	97	65	32	97
GS/GM-13	101	76	177	103	76	179	103	83	186
GS-12	132	190	322	137	199	336	139	203	342
GS-11	137	353	490	146	369	515	148	373	521
GS-9	42	241	283	48	258	306	52	267	319
GS-8	10	7	17	10	7	17	10	7	17
GS-7	57	68	125	61	103	164	66	175	241
GS-6	34	49	83	36	49	85	35	49	84
GS-5	57	133	190	62	137	199	66	141	207
GS-4	23	48	71	26	51	77	28	57	85
GS-3	4	8	12	5	8	13	5	8	13
GS-2	1	4	5	1	4	5	1	4	5
Ungraded Positions	4	0	4	4		4	4	0	4
Total Permanent Positions.....	694	1,224	1,918	732	1,308	2,040	750	1,414	2,164
Staff-Years:									
Ceiling.....	674	1,211	1,885	711	1,289	2,000	729	1,371	2,100
Non-Ceiling.....	6	24	30	6	31	37	8	43	51
TOTAL.....	680	1,235	1,915	717	1,320	2,037	737	1,414	2,151

FOOD AND NUTRITION SERVICE

CLASSIFICATION BY OBJECTS

(dollars in thousands)

	Actual 1988	Estimated 1989	Estimated 1990
Personnel Compensation:			
Headquarters	\$23,691	\$25,474	\$25,929
Field	36,716	39,503	41,175
11 Total Personnel compensation	60,407	64,977	67,104
12 Personnel Benefits	8,802	9,795	10,387
13 Benefits for former personnel	50	46	46
Total Pers. Comp and Benefits	69,259	74,818	77,537
Other Objects:			
21 Travel	3,037	3,936	5,757
22 Transportation of things	2,347	2,934	3,039
23.2 Rental payments to others	350	401	419
23.3 Communications, utilities and other rent	4,253	4,850	5,470
24 Printing and reproduction	22,444	21,855	22,893
25 Other Services	35,567	50,925	46,650
26 Supplies and materials (including commodities)	202,456	438,008	468,778
31 Equipment	2,954	2,464	2,314
32 Lands and Structures	0	0	0
41 Grants, subsidies and contributions	19,446,385	20,182,157	21,098,345
42 Insurance claims and indemnities	20	0	0
43 Interest and Dividends	3	0	0
Total other objects	19,719,816	20,707,530	21,653,665
Total direct obligations	19,789,075	20,782,348	21,731,202

Position Data:

Average Salary, ES positions.....	\$72,525	\$72,525	\$72,525
Average Salary, GS positions.....	\$31,395	\$32,144	\$31,759
Average Grade, GS positions.....	9.7	9.7	9.5

FOOD AND NUTRITION SERVICE

Reports of Audits and Investigations of National Significance
Received during Fiscal Year 1988

Program/Activity Reviewed	Report Number	Date Issued	Subject
Reports From the Office of the Inspector General			
Food Distribution	27-002-0007	2/25/88	Food Distribution Program Commodity Inventory Accountability
Food Stamp	27099-53-HY	4/8/88	Internal Control Weaknesses at FNS Field Offices
Food Stamp	27-662-0002	7/19/88	FNS FSP Casefile Documentation - Nationwide Audit
Food Stamp	27-099-0046	09/20/88	FNS - Sales Tax on Food Stamp Purchases
WIC	27-661-0002	06/15/88	Nationwide Evaluation WIC Food Vouchers & Vendor Monitoring
Reports From the General Accounting Office			
Financial Management	AFMD-88-16	3/18/88	Internal Controls: Food and Nutrition Service Lacks Effective Controls
Food Distribution	RCED-88-011	10/19/87	USDA Surplus Cheese Distribution
Food Stamp	HRD-88-007	10/01/87	Immigration Reform - Verifying the Status of Aliens Applying for Benefits
Food Stamp	RCED-88-010	10/22/87	Food Stamp Error Rates & Sanctions
Food Stamp	RCED-88-012	10/22/87	Food Stamp Denials
Food Stamp	RCED-88-058	4/28/88	Status of Food Stamp Automation
Food Stamp	HRD-88-038	5/20/88	Payments to Indians and Welfare -- Indian Tribal Trust Fund Payments
Food Stamp	PEMD-88-021	7/05/88	Barriers to Food Stamps (participation)
Food Stamp	RECD-88-156	7/14/88	Food Stamp Statistics Accuracy
TEFAP	RCED-88-108	2/23/88	Dairy Inventory and TEFAP
WIC	RCED-88-035	10/09/87	Increasing WIC Participation
WIC	RCED-88-183	7/25/88	WIC Foods Competitive Bidding

FOOD AND NUTRITION SERVICE

Food Assistance Table
Budget Authority under Current Law
(Dollars in Thousands)

	1988 Actual	1989 Estimate	1990 Estimate	Change 1990-1989

A. Child Nutrition Programs:				
1. Program grants to States:				
a. School Lunch Program.....	3,068,187	3,025,352	3,114,974	89,622
b. School Breakfast Program.....	479,819	514,498	560,926	46,428
c. Child Care Food Program.....	599,836	655,932	755,388	99,456
d. Summer Food Service Program.....	137,649	147,824	160,583	12,759
e. State Admin. Expenses.....	54,289	58,411	40,787	-17,624
TOTAL, Cash payments to States.....	4,339,780	4,402,017	4,632,658	230,641

2. Commodities to States (including cash in lieu of commodities):				
a. FNS commodities.....	154,714	176,514	207,837	31,323
b. AMS Section 32 commodities.....	350,900	350,900	350,900	0
c. CCC bonus commodities.....	0	0	0	0
d. AMS bonus commodities.....	0	0	0	0
TOTAL, Commodities to States.....	505,614	527,414	558,737	31,323

3. Nutrition studies and education:				
a. Nutrition studies and surveys, section 6(a)(3)..	2,085	2,085	3,085	1,000
b. Nutrition education and training, section 19....	1,050	5,000	0	-5,000
c. Child Nutrition Federal Review System.....	0	5,200	6,400	1,200
TOTAL, Nutrition studies and education.....	3,135	12,285	9,485	-2,800

TOTAL, Child Nutrition Programs.....	4,848,529	4,941,716	5,200,880	259,164
LESS: AMS Section 32 commodities.....	350,900	350,900	350,900	0
CCC bonus commodities.....	0	0	0	0
AMS bonus commodities.....	0	0	0	0
FNS Child nutrition account.....	4,497,629	4,590,816	4,849,980	259,164

B. Special Milk Program: Cash Payments.....	21,500	19,925	20,449	524

C. Special Supplemental Food Program (WIC):				
1. Cash Grants to States.....	1,800,263	1,926,362	1,958,362	32,000
2. Studies and Evaluations.....	2,100	3,000	3,000	0
TOTAL, Special Supplemental Food Program and FNS Account (WIC).....	1,802,363	1,929,362	1,961,362	32,000

continued on next page

FOOD AND NUTRITION SERVICE

Food Assistance Table
Budget Authority under Current Law
(Dollars in Thousands)

	1988 Actual	1989 Estimate	1990 Estimate	Change 1990-1989

D. Commodity Supplemental Food Program (CSFP):				
1. Commodities for supplemental food.....	39,287	39,021	49,164	10,143
2. Payments to distributing agencies for administration.....	7,500	7,500	9,304	1,804
3. Special administrative funds.....	3,213	3,479	3,560	81
4. CCC donations.....	0	0	0	0
SUBTOTAL, Commodity Supplemental Food Program (CSFP).....	50,000	50,000	62,028	12,028
LESS: CCC Donations.....	0	0	0	0
TOTAL, FNS CSFP Account.....	50,000	50,000	62,028	12,028

E. Food Stamp Program:				
1. Benefit costs.....	11,437,840	11,442,593	12,041,673	599,080
2. State administrative costs.....	1,051,984	1,073,193	1,123,633	50,440
3. Other program costs.....	149,056	174,919	199,179	24,260
4. Excess state error liabilities.....	0	0	-101,000	-101,000
5. Transfer to Extension Service.....	39,627	0	0	0
TOTAL, Food Stamp Program and Account.....	12,678,507	12,690,705	13,263,485	572,780

F. Nutrition Assistance for Puerto Rico.....	879,250	908,250	825,000	-83,250

G. Cash and Commodities for Selected Groups:				
1. Food Distribution Program on Indian Reservations:				
a. Commodities in lieu of food stamps.....	40,736	41,758	44,133	2,375
b. Distributing agency administrative costs.....	15,363	16,096	16,846	750
c. Section 32 bonus commodities.....				
d. Section 416 bonus commodities.....				
TOTAL, Food Distribution Program on Reservations.....	56,099	57,854	60,979	3,125
LESS: Bonus Commodities.....	0	0	0	0
TOTAL, FNS Food Distribution Program on Indian Reservations Account.....	56,099	57,854	60,979	3,125

2. Nutrition Program for the Elderly:				
a. Commodities.....	7,060	9,220	9,460	240
b. Cash in lieu of commodities.....	130,949	132,073	136,071	3,998
c. Section 32 Bonus Commodities.....				
d. Section 416 Bonus Commodities.....				
TOTAL, Nutrition Program for the Elderly.....	138,009	141,293	145,531	4,238
LESS: Bonus Commodities.....	0	0	0	0
TOTAL, FNS Nutrition Program for the Elderly Account.....	138,009	141,293	145,531	4,238

3. Commodities for Soup Kitchens.....	0	40,000	40,000	0

TOTAL, FNS Cash and Commodities for Selected Groups Account.....	194,108	239,147	246,510	7,363

continued on next page

FOOD AND NUTRITION SERVICE

Food Assistance Table
Budget Authority under Current Law
(Dollars in Thousands)

	1988 Actual	1989 Estimate	1990 Estimate	Change 1990-1989
H. Temporary Emergency Food Assistance Program (TEFAP):				
1. FNS Commodities.....	0	120,000	120,000	0
2. CCC Bonus Commodities.....	0	0	0	0
3. TEFAP Administrative Expense.....	50,000	50,000	0	-50,000
TOTAL, Temporary Emergency Food Assistance Program.....	50,000	170,000	120,000	-50,000
LESS: Bonus Commodities.....	0	0	0	0
TOTAL, FNS TEFAP Account.....	50,000	170,000	120,000	-50,000
I. Bonus Commodities to Other Outlets:				
1. Charitable Institutions				
a. Section 32 commodities.....	0	0	0	0
b. Section 416 commodities.....	0	0	0	0
2. Summer Camps				
a. Section 32 commodities.....	0	0	0	0
b. Section 416 commodities.....	0	0	0	0
3. Disaster Feeding				
a. Section 32 commodities.....	0	0	0	0
b. Section 416 commodities.....	0	0	0	0
TOTAL, Bonus Commodities to Other Outlets.....	0	0	0	0
J. Food Program Administration:				
1. Child nutrition.....	27,757	28,855	31,315	2,460
2. Special milk.....	154	161	174	13
3. Supplemental feeding.....	7,021	7,298	7,921	623
4. Food stamp.....	49,094	51,035	55,387	4,352
5. Cash and commodity subsidies.....	1,802	1,874	2,033	159
TOTAL, Food Program Administration.....	85,828	89,223	96,830	7,607
GRAND TOTAL, Food Assistance.....	20,610,085	21,038,328	21,796,544	758,216
LESS: Section 32 commodities for CN.....	350,900	350,900	350,900	0
AMS bonus commodities.....	0	0	0	0
CCC bonus commodities.....	0	0	0	0
TOTAL, FNS Accounts.....	20,259,185	20,687,428	21,445,644	758,216

FOOD AND NUTRITION SERVICE

Food Assistance Table
Program Level under Current Law
(Dollars in Thousands)

	1988 Actual	1989 Estimate	1990 Estimate	Change 1990-1989

A. Child Nutrition Programs:				
1. Program grants to States:				
a. School Lunch Program.....	2,934,996	3,097,825	3,297,327	199,502
b. School Breakfast Program.....	473,190	509,723	560,926	51,203
c. Child Care Food Program.....	613,076	669,385	755,388	86,003
d. Summer Food Service Program.....	136,312	149,245	160,583	11,338
e. State Admin. Expenses.....	55,442	56,754	40,787	-15,967
TOTAL, Cash payments to States.....	4,213,016	4,482,932	4,815,011	332,079

2. Commodities to States (including cash in lieu of commodities):				
a. FNS commodities.....	157,264	179,490	207,837	28,347
b. AMS Section 32 commodities.....	349,670	350,900	350,900	0
c. CCC bonus commodities.....	347,797	347,797	347,797	0
d. AMS bonus commodities.....	56,017	56,017	56,017	0
TOTAL, Commodities to States.....	910,748	934,204	962,551	28,347

3. Nutrition studies and education:				
a. Nutrition studies and surveys, section 6(a)(3)..	2,085	2,085	3,085	1,000
b. Nutrition education and training, section 19....	5,000	5,000	0	-5,000
c. Child Nutrition Federal Review System.....	0	5,200	6,400	1,200
TOTAL, Nutrition studies and education.....	7,085	12,285	9,485	-2,800

TOTAL, Child Nutrition Programs.....	5,130,541	5,429,421	5,787,047	357,626
LESS: AMS Section 32 commodities.....	349,670	350,900	350,900	0
CCC bonus commodities.....	347,797	347,797	347,797	0
AMS bonus commodities.....	56,017	56,017	56,017	0
FNS Child nutrition account.....	4,377,057	4,674,707	5,032,333	357,626

B. Special Milk Program: Cash Payments.....	22,119	20,697	22,654	1,957

C. Special Supplemental Food Program (WIC):				
1. Cash Grants to States.....	1,800,330	1,926,366	1,958,362	31,996
2. Studies and Evaluations.....	2,100	3,000	3,000	0
TOTAL, Special Supplemental Food Program and FNS Account (WIC).....	1,802,430	1,929,366	1,961,362	31,996

continued on next page

FOOD AND NUTRITION SERVICE

Food Assistance Table
Outlays under Current Law
(Dollars in Thousands)

	1988 Actual	1989 Estimate	1990 Estimate	Change 1990-1989

A. Child Nutrition Programs:				
1. Program grants to States:				
a. School Lunch Program.....	2,887,648	3,122,506	3,268,798	146,292
b. School Breakfast Program.....	464,026	509,289	553,604	44,315
c. Child Care Food Program.....	606,354	672,467	743,091	70,624
d. Summer Food Service Program.....	108,436	147,664	158,962	11,298
e. State Admin. Expenses.....	55,429	54,551	47,430	-7,121
TOTAL, Cash payments to States.....	4,121,893	4,506,477	4,771,885	265,408

2. Commodities to States (including cash in lieu of commodities):				
a. FNS commodities.....	157,264	179,490	207,837	28,347
b. AMS Section 32 commodities.....	349,670	350,900	350,900	0
c. CCC bonus commodities.....	0	0	0	0
d. AMS bonus commodities.....	0	0	0	0
TOTAL, Commodities to States.....	506,934	530,390	558,737	28,347

3. Nutrition studies and education:				
a. Nutrition studies and surveys, section 6(a)(3)..	2,085	2,085	3,085	1,000
b. Nutrition education and training, section 19....	5,000	5,000	0	-5,000
c. Child Nutrition Federal Review System.....	0	4,456	6,229	1,773
TOTAL, Nutrition studies and education.....	7,085	11,541	9,314	-2,227

TOTAL, Child Nutrition Programs.....	4,635,604	5,048,408	5,339,936	291,528
LESS: AMS Section 32 commodities.....	349,670	350,900	350,900	0
CCC bonus commodities.....	0	0	0	0
AMS bonus commodities.....	0	0	0	0
FNS Child nutrition account.....	4,285,934	4,697,508	4,989,036	291,528

B. Special Milk Program: Cash Payments.....	18,342	23,626	22,113	-1,513

C. Special Supplemental Food Program (WIC):				
1. Cash Grants to States.....	1,800,874	1,938,254	1,956,282	18,028
2. Studies and Evaluations.....	2,684	3,000	3,000	0
TOTAL, Special Supplemental Food Program and FNS Account (WIC).....	1,803,558	1,941,254	1,959,282	18,028

continued on next page

FOOD AND NUTRITION SERVICE

Food Assistance Table
Outlays under Current Law
(Dollars in Thousands)

	1988 Actual	1989 Estimate	1990 Estimate	Change 1990-1989
D. Commodity Supplemental Food Program (CSFP):				
1. Commodities for supplemental food.....	37,864	48,763	49,105	341
2. Payments to distributing agencies for administration.....	8,464	7,423	9,293	1,870
3. Special administrative funds.....	2,560	3,443	3,556	113
4. CCC donations.....	0	0	0	0
SUBTOTAL, Commodity Supplemental Food Program (CSFP).....	48,888	59,629	61,953	2,324
LESS: CCC Donations.....	0	0	0	0
TOTAL, FNS CSFP Account.....	48,888	59,629	61,953	2,324
E. Food Stamp Program:				
1. Benefit costs.....	11,111,079	11,428,306	11,564,185	135,879
2. State administrative costs.....	1,017,070	1,210,662	1,117,464	-93,198
3. Other program costs.....	136,815	228,674	200,132	-28,542
4. Excess state error liabilities.....	0	0	-101,000	-101,000
5. Transfer to Extension Service.....	0	0	0	0
TOTAL, Food Stamp Program and Account.....	12,264,964	12,867,642	12,780,781	-86,861
F. Nutrition Assistance for Puerto Rico.....	880,261	908,010	825,166	-82,844
G. Cash and Commodities for Selected Groups:				
1. Food Distribution Program on Indian Reservations:				
a. Commodities in lieu of food stamps.....	46,676	36,788	43,762	6,974
b. Distributing agency administrative costs.....	14,063	14,180	16,704	2,524
c. Section 32 bonus commodities.....	0	0	0	0
d. Section 416 bonus commodities.....	0	0	0	0
TOTAL, Food Distribution Program on Reservations.....	60,739	50,968	60,466	9,498
LESS: Bonus commodities.....	0	0	0	0
TOTAL, FNS Food Distribution Program on Indian Reservations Account.....	60,739	50,968	60,466	9,498
2. Nutrition Program for the Elderly:				
a. Commodities.....	8,692	9,305	8,845	-460
b. Cash in lieu of commodities.....	124,506	142,750	135,991	-6,759
c. Section 32 Bonus Commodities.....				
d. Section 416 Bonus Commodities.....				
TOTAL, Nutrition Program for the Elderly.....	133,198	152,055	144,836	-7,219
LESS: Bonus Commodities.....	0	0	0	0
TOTAL, FNS Nutrition Program for the Elderly Account.....	133,198	152,055	144,836	-7,219
3. Commodities for Soup Kitchens.....	0	40,000	40,000	0
TOTAL, FNS Cash and Commodities for Selected Groups Account.....	193,937	243,023	245,302	2,279

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FOOD AND NUTRITION SERVICE

Food Assistance Table
Program Level under Current Law
(Dollars in Thousands)

	1988 Actual	1989 Estimate	1990 Estimate	Change 1990-1989

D. Commodity Supplemental Food Program (CSFP):				
1. Commodities for supplemental food.....	30,320	49,272	49,164	-108
2. Payments to distributing agencies for administration.....	7,500	7,500	9,304	1,804
3. Special administrative funds.....	2,954	3,479	3,560	81
4. CCC donations.....	18,921	18,921	18,921	0
SUBTOTAL, Commodity Supplemental Food Program (CSFP).....	59,695	79,172	80,949	1,777
LESS: CCC Donations.....	18,921	18,921	18,921	0
TOTAL, FNS CSFP Account.....	40,774	60,251	62,028	1,777

E. Food Stamp Program:				
1. Benefit costs.....	11,140,454	11,438,593	12,041,673	603,080
2. State administrative costs.....	1,050,346	1,073,193	1,123,633	50,440
3. Other program costs.....	147,527	178,919	199,179	20,260
4. Excess state error liabilities.....	0	0	0	0
5. Transfer to Extension Service.....	0	0	0	0
TOTAL, Food Stamp Program and Account.....	12,338,327	12,690,705	13,364,485	673,780

F. Nutrition Assistance for Puerto Rico.....	879,250	908,250	825,000	-83,250

G. Cash and Commodities for Selected Groups:				
1. Food Distribution Program on Indian Reservations:				
a. Commodities in lieu of food stamps.....	40,736	41,758	44,133	2,375
b. Distributing agency administrative costs.....	14,944	16,096	16,846	750
c. Section 32 bonus commodities.....	378	378	378	0
d. Section 416 bonus commodities.....	10,076	10,076	10,076	0
TOTAL, Food Distribution Program on Reservations.....	66,134	68,308	71,433	3,125
LESS: Bonus commodities.....	10,454	10,454	10,454	0
TOTAL, FNS Food Distribution Program on Indian Reservations Account.....	55,680	57,854	60,979	3,125

2. Nutrition Program for the Elderly:				
a. Commodities.....	7,960	9,220	9,460	240
b. Cash in lieu of commodities.....	129,599	132,073	136,071	3,998
c. Section 32 Bonus Commodities.....	3,987	3,987	3,987	0
d. Section 416 Bonus Commodities.....	5,385	5,385	5,385	0
TOTAL, Nutrition Program for the Elderly.....	146,931	150,665	154,903	4,238
LESS: Bonus Commodities.....	9,372	9,372	9,372	0
TOTAL, FNS Nutrition Program for the Elderly Account.....	137,559	141,293	145,531	4,238

3. Commodities for Soup Kitchens.....	0	40,000	40,000	0

TOTAL, FNS Cash and Commodities for Selected Groups Account.....	193,239	239,147	246,510	7,363

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FOOD AND NUTRITION SERVICE

Food Assistance Table
Program Level under Current Law
(Dollars in Thousands)

	1988 Actual	1989 Estimate	1990 Estimate	Change 1990-1989
H. Temporary Emergency Food Assistance				
Program (TEFAP):				
1. FNS Commodities.....	0	120,000	120,000	0
2. CCC Bonus Commodities.....	537,912	537,912	537,912	0
3. TEFAP Administrative Expense.....	49,999	50,000	0	-50,000
TOTAL, Temporary Emergency Food Assistance Program.....	587,911	707,912	657,912	-50,000
LESS: Bonus Commodities.....	537,912	537,912	537,912	0
TOTAL, FNS TEFAP Account.....	49,999	170,000	120,000	-50,000
I. Bonus Commodities to Other Outlets:				
1. Charitable Institutions				
a. Section 32 commodities.....	15,037	15,037	15,037	0
b. Section 416 commodities.....	135,205	135,205	135,205	0
2. Summer Camps				
a. Section 32 commodities.....	80	80	80	0
b. Section 416 commodities.....	5,801	5,801	5,801	0
3. Disaster Feeding				
a. Section 32 commodities.....	398	398	398	0
b. Section 416 commodities.....	567	567	567	0
TOTAL, Bonus Commodities to Other Outlets.....	157,087	157,087	157,087	0
J. Food Program Administration:				
1. Child nutrition.....	27,791	28,923	31,383	2,460
2. Special milk.....	154	161	174	13
3. Supplemental feeding.....	7,029	7,316	7,938	622
4. Food stamp.....	49,153	51,158	55,507	4,349
5. Cash and commodity subsidies.....	1,805	1,878	2,038	160
TOTAL, Food Program Administration.....	85,932	89,436	97,040	7,604
GRAND TOTAL, Food Assistance.....	21,276,357	22,271,018	23,219,871	948,853
LESS: Section 32 commodities for CN.....	349,670	350,900	350,900	0
AMS bonus commodities.....	75,896	75,896	75,896	0
CCC bonus commodities.....	1,061,663	1,061,663	1,061,663	0
TOTAL, FNS Accounts.....	19,789,127	20,782,559	21,731,412	948,853

FOOD AND NUTRITION SERVICE

Food Assistance Table
 Outlays under Current Law
 (Dollars in Thousands)

	1988 Actual	1989 Estimate	1990 Estimate	Change 1990-1989
H. Temporary Emergency Food Assistance				
Program (TEFAP):				
1. FNS Commodities.....	0	120,000	120,000	0
2. CCC Bonus Commodities.....	0	0	0	0
3. TEFAP Administrative Expense.....	28,584	38,150	0	-38,150
TOTAL, Temporary Emergency Food				
Assistance Program.....	28,584	158,150	120,000	-38,150
LESS: Bonus Commodities.....	0	0	0	0
TOTAL, FNS TEFAP Account.....	28,584	158,150	120,000	-38,150
I. Bonus Commodities to Other Outlets:				
1. Charitable Institutions				
a. Section 32 commodities.....	0	0	0	0
b. Section 416 commodities.....	0	0	0	0
2. Summer Camps				
a. Section 32 commodities.....	0	0	0	0
b. Section 416 commodities.....	0	0	0	0
3. Disaster Feeding				
a. Section 32 commodities.....	0	0	0	0
b. Section 416 commodities.....	0	0	0	0
TOTAL, Bonus Commodities to Other Outlets.....	0	0	0	0
J. Food Program Administration:				
1. Child nutrition.....	27,434	28,767	31,162	2,395
2. Special milk.....	153	160	173	13
3. Supplemental feeding.....	6,939	7,276	7,882	606
4. Food stamp.....	48,524	50,880	55,116	4,236
5. Cash and commodity subsidies.....	1,781	1,868	2,023	155
TOTAL, Food Program Administration.....	84,831	88,951	96,356	7,405
GRAND TOTAL, Food Assistance.....	19,958,969	21,338,693	21,450,889	112,196
LESS: Section 32 commodities for CN.....	349,670	350,900	350,900	0
AMS bonus commodities.....	0	0	0	0
CCC bonus commodities.....	0	0	0	0
TOTAL, FNS Accounts.....	19,609,299	20,987,793	21,099,989	112,196

FOOD AND NUTRITION SERVICE

Food Assistance Table
Budget Authority at the Recommended Level
(Dollars in Thousands)

	1988 Actual	1989 Estimate	1990 Estimate	Change 1990-1989

A. Child Nutrition Programs:				
1. Program grants to States:				
a. School Lunch Program.....	3,068,187	2,946,685	2,500,713	-445,972
b. School Breakfast Program.....	479,819	512,356	546,402	34,046
c. Child Care Food Program.....	599,836	655,932	436,215	-219,717
d. Summer Food Service Program.....	137,649	147,824	160,583	12,759
e. State Admin. Expenses.....	54,289	58,411	40,787	-17,624
TOTAL, Cash payments to States.....	4,339,780	4,321,208	3,684,700	-636,508

2. Commodities to States (including cash in lieu of commodities):				
a. FNS commodities.....	154,714	176,975	220,461	43,486
b. AMS Section 32 commodities.....	350,900	350,900	350,900	0
c. CCC bonus commodities.....	0	0	0	0
d. AMS bonus commodities.....	0	0	0	0
TOTAL, Commodities to States.....	505,614	527,875	571,361	43,486

3. Nutrition studies and education:				
a. Nutrition studies and surveys, section 6(a)(3)..	2,085	2,085	3,085	1,000
b. Nutrition education and training, section 19....	1,050	5,000	0	-5,000
c. Child Nutrition Federal Review System.....	0	5,200	6,400	1,200
TOTAL, Nutrition studies and education.....	3,135	12,285	9,485	-2,800

TOTAL, Child Nutrition Programs.....	4,848,529	4,861,368	4,265,546	-595,822
LESS: AMS Section 32 commodities.....	350,900	350,900	350,900	0
CCC bonus commodities.....	0	0	0	0
AMS bonus commodities.....	0	0	0	0
FNS Child nutrition account.....	4,497,629	4,510,468	3,914,646	-595,822

B. Special Milk Program: Cash Payments.....	21,500	14,976	314	-14,662

C. Special Supplemental Food Program (WIC):				
1. Cash Grants to States.....	1,800,263	1,926,362	1,956,362	30,000
2. Studies and Evaluations.....	2,100	3,000	5,000	2,000
TOTAL, Special Supplemental Food Program and FNS Account (WIC).....	1,802,363	1,929,362	1,961,362	32,000

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FOOD AND NUTRITION SERVICE

Food Assistance Table
Budget Authority at the Recommended Level
(Dollars in Thousands)

	1988 Actual	1989 Estimate	1990 Estimate	Change 1990-1989

D. Commodity Supplemental Food Program (CSFP):				
1. Commodities for supplemental food.....	39,287	39,021	49,164	10,143
2. Payments to distributing agencies for administration.....	7,500	7,500	9,304	1,804
3. Special administrative funds.....	3,213	3,479	3,560	81
4. CCC donations.....	0	0	0	0
SUBTOTAL, Commodity Supplemental Food Program (CSFP).....	50,000	50,000	62,028	12,028
LESS: CCC Donations.....	0	0	0	0
TOTAL, FNS CSFP Account.....	50,000	50,000	62,028	12,028

E. Food Stamp Program:				
1. Benefit costs.....	11,437,840	11,442,593	12,041,673	599,080
2. State administrative costs.....	1,051,984	1,073,193	1,043,712	-29,481
3. Other program costs.....	149,056	174,919	199,179	24,260
4. Excess state error liabilities.....	0	0	-101,000	-101,000
5. Transfer to Extension Service.....	39,627	0	0	0
TOTAL, Food Stamp Program and Account.....	12,678,507	12,690,705	13,183,564	492,859

F. Nutrition Assistance for Puerto Rico.....	879,250	908,250	825,000	-83,250

G. Cash and Commodities for Selected Groups:				
1. Food Distribution Program on Indian Reservations:				
a. Commodities in lieu of food stamps.....	40,736	41,758	44,133	2,375
b. Distributing agency administrative costs.....	15,363	16,096	16,846	750
c. Section 32 bonus commodities.....				
d. Section 416 bonus commodities.....				
TOTAL, Food Distribution Program on Reservations.....	56,099	57,854	60,979	3,125
LESS: Bonus commodities.....	0	0	0	0
TOTAL, FNS Food Distribution Program on Indian Reservations Account.....	56,099	57,854	60,979	3,125

2. Nutrition Program for the Elderly:				
a. Commodities.....	7,060	9,220	9,460	240
b. Cash in lieu of commodities.....	130,949	132,073	136,071	3,998
c. Section 32 Bonus Commodities.....				
d. Section 416 Bonus Commodities.....				
TOTAL, Nutrition Program for the Elderly.....	138,009	141,293	145,531	4,238
LESS: Bonus Commodities.....	0	0	0	0
TOTAL, FNS Nutrition Program for the Elderly Account.....	138,009	141,293	145,531	4,238

3. Commodities for Soup Kitchens.....	0	40,000	40,000	0

TOTAL, FNS Cash and Commodities for Selected Groups Account.....	194,108	239,147	246,510	7,363

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FOOD AND NUTRITION SERVICE

Food Assistance Table
Budget Authority at the Recommended Level
(Dollars in Thousands)

	1988 Actual	1989 Estimate	1990 Estimate	Change 1990-1989
H. Temporary Emergency Food Assistance Program (TEFAP):				
1. FNS Commodities.....	0	120,000	120,000	0
2. CCC Bonus Commodities.....	0	0	0	0
3. TEFAP Administrative Expense.....	50,000	50,000	0	-50,000
TOTAL, Temporary Emergency Food Assistance Program.....	50,000	170,000	120,000	-50,000
LESS: Bonus Commodities.....	0	0	0	0
TOTAL, FNS TEFAP Account.....	50,000	170,000	120,000	-50,000
I. Bonus Commodities to Other Outlets:				
1. Charitable Institutions				
a. Section 32 commodities.....	0	0	0	0
b. Section 416 commodities.....	0	0	0	0
2. Summer Camps				
a. Section 32 commodities.....	0	0	0	0
b. Section 416 commodities.....	0	0	0	0
3. Disaster Feeding				
a. Section 32 commodities.....	0	0	0	0
b. Section 416 commodities.....	0	0	0	0
TOTAL, Bonus Commodities to Other Outlets.....	0	0	0	0
J. Food Program Administration:				
1. Child nutrition.....	27,757	28,855	31,315	2,460
2. Special milk.....	154	161	174	13
3. Supplemental feeding.....	7,021	7,298	7,921	623
4. Food stamp.....	49,094	51,035	55,387	4,352
5. Cash and commodity subsidies.....	1,802	1,874	2,033	159
TOTAL, Food Program Administration.....	85,828	89,223	96,830	7,607
GRAND TOTAL, Food Assistance.....	20,610,085	20,953,031	20,761,154	-191,877
LESS: Section 32 commodities for CN.....	350,900	350,900	350,900	0
AMS bonus commodities.....	0	0	0	0
CCC bonus commodities.....	0	0	0	0
TOTAL, FNS Accounts.....	20,259,185	20,602,131	20,410,254	-191,877

FOOD AND NUTRITION SERVICE

Food Assistance Table
Program Level at the Recommended Level
(Dollars in Thousands)

	1988 Actual	1989 Estimate	1990 Estimate	Change 1990-1989

A. Child Nutrition Programs:				
1. Program grants to States:				
a. School Lunch Program.....	2,934,996	3,019,158	2,683,066	-336,092
b. School Breakfast Program.....	473,190	507,581	546,402	38,821
c. Child Care Food Program.....	613,076	669,385	436,215	-233,170
d. Summer Food Service Program.....	136,312	149,245	160,583	11,338
e. State Admin. Expenses.....	55,442	56,754	40,787	-15,967
TOTAL, Cash payments to States.....	4,213,016	4,402,123	3,867,053	-535,070

2. Commodities to States (including cash in lieu of commodities):				
a. FNS commodities.....	157,264	179,951	220,461	40,510
b. AMS Section 32 commodities.....	349,670	350,900	350,900	0
c. CCC bonus commodities.....	347,797	347,797	347,797	0
d. AMS bonus commodities.....	56,017	56,017	56,017	0
TOTAL, Commodities to States.....	910,748	934,665	975,175	40,510

3. Nutrition studies and education:				
a. Nutrition studies and surveys, section 6(a)(3)..	2,085	2,085	3,085	1,000
b. Nutrition education and training, section 19....	5,000	5,000	0	-5,000
c. Child Nutrition Federal Review System.....	0	5,200	6,400	1,200
TOTAL, Nutrition studies and education.....	7,085	12,285	9,485	-2,800

TOTAL, Child Nutrition Programs.....	5,130,849	5,349,073	4,851,713	-497,360
LESS: AMS Section 32 commodities.....	349,670	350,900	350,900	0
CCC bonus commodities.....	347,797	347,797	347,797	0
AMS bonus commodities.....	56,017	56,017	56,017	0
FNS Child nutrition account.....	4,377,365	4,594,359	4,096,999	-497,360

B. Special Milk Program: Cash Payments.....	22,119	15,748	2,519	-13,229

C. Special Supplemental Food Program (WIC):				
1. Cash Grants to States.....	1,800,330	1,926,366	1,956,362	29,996
2. Studies and Evaluations.....	2,100	3,000	5,000	2,000
TOTAL, Special Supplemental Food Program and FNS Account (WIC).....	1,802,430	1,929,366	1,961,362	31,996

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FOOD AND NUTRITION SERVICE

Food Assistance Table
Program Level at the Recommended Level
(Dollars in Thousands)

	1988 Actual	1989 Estimate	1990 Estimate	Change 1990-1989
D. Commodity Supplemental Food Program (CSFP):				
1. Commodities for supplemental food.....	30,320	49,272	49,164	-108
2. Payments to distributing agencies for administration.....	7,500	7,500	9,304	1,804
3. Special administrative funds.....	2,954	3,479	3,560	81
4. CCC donations.....	18,921	18,921	18,921	0
SUBTOTAL, Commodity Supplemental Food Program (CSFP)....	59,695	79,172	80,949	1,777
LESS: CCC Donations.....	18,921	18,921	18,921	0
TOTAL, FNS CSFP Account.....	40,774	60,251	62,028	1,777
E. Food Stamp Program:				
1. Benefit costs.....	11,140,454	11,438,593	12,041,673	603,080
2. State administrative costs.....	1,050,346	1,073,193	1,043,712	-29,481
3. Other program costs.....	147,527	178,919	199,179	20,260
4. Excess state error liabilities.....	0	0	0	-101,000
5. Transfer to Extension Service.....	0	0	0	0
TOTAL, Food Stamp Program and Account.....	12,338,327	12,690,705	13,284,564	492,859
F. Nutrition Assistance for Puerto Rico.....	879,250	908,250	825,000	-83,250
G. Cash and Commodities for Selected Groups:				
1. Food Distribution Program on Indian Reservations:				
a. Commodities in lieu of food stamps.....	40,736	41,758	44,133	2,375
b. Distributing agency administrative costs.....	14,944	16,096	16,846	750
c. Section 32 bonus commodities.....	378	378	378	0
d. Section 416 bonus commodities.....	10,076	10,076	10,076	0
TOTAL, Food Distribution Program on Reservations.....	66,134	68,308	71,433	3,125
LESS: Bonus commodities.....	10,454	10,454	10,454	0
TOTAL, FNS Food Distribution Program on Indian Reservations Account.....	55,680	57,854	60,979	3,125
2. Nutrition Program for the Elderly:				
a. Commodities.....	7,960	9,220	9,460	240
b. Cash in lieu of commodities.....	129,599	132,073	136,071	3,998
c. Section 32 Bonus Commodities.....	3,987	3,987	3,987	0
d. Section 416 Bonus Commodities.....	5,385	5,385	5,385	0
TOTAL, Nutrition Program for the Elderly.....	146,931	150,665	154,903	4,238
LESS: Bonus Commodities.....	9,372	9,372	9,372	0
TOTAL, FNS Nutrition Program for the Elderly Account.....	137,559	141,293	145,531	4,238
3. Commodities for Soup Kitchens.....	0	40,000	40,000	0
TOTAL, FNS Cash and Commodities for Selected Groups Account.....	193,239	239,147	246,510	7,363

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FOOD AND NUTRITION SERVICE

Food Assistance Table
Program Level at the Recommended Level
(Dollars in Thousands)

	1988 Actual	1989 Estimate	1990 Estimate	Change 1990-1989
H. Temporary Emergency Food Assistance Program (TEFAP):				
1. FNS Commodities.....	0	120,000	120,000	0
2. CCC Bonus Commodities.....	537,912	537,912	537,912	0
3. TEFAP Administrative Expense.....	49,999	50,000	0	-50,000
TOTAL, Temporary Emergency Food Assistance Program.....	587,911	707,912	657,912	-50,000
LESS: Bonus Commodities.....	537,912	537,912	537,912	0
TOTAL, FNS TEFAP Account.....	49,999	170,000	120,000	-50,000
I. Bonus Commodities to Other Outlets:				
1. Charitable Institutions				
a. Section 32 commodities.....	15,037	15,037	15,037	0
b. Section 416 commodities.....	135,205	135,205	135,205	0
2. Summer Camps				
a. Section 32 commodities.....	80	80	80	0
b. Section 416 commodities.....	5,801	5,801	5,801	0
3. Disaster Feeding				
a. Section 32 commodities.....	398	398	398	0
b. Section 416 commodities.....	567	567	567	0
TOTAL, Bonus Commodities to Other Outlets.....	157,087	157,087	157,087	0
J. Food Program Administration:				
1. Child nutrition.....	27,791	28,923	31,383	2,460
2. Special milk.....	154	161	174	13
3. Supplemental feeding.....	7,029	7,316	7,938	622
4. Food stamp.....	49,153	51,158	55,507	4,349
5. Cash and commodity subsidies.....	1,805	1,878	2,038	160
TOTAL, Food Program Administration.....	85,932	89,436	97,040	7,604
GRAND TOTAL, Food Assistance.....	21,276,665	22,185,721	22,184,481	-102,240
LESS: Section 32 commodities for CN.....	349,670	350,900	350,900	0
AMS bonus commodities.....	75,896	75,896	75,896	0
CCC bonus commodities.....	1,061,663	1,061,663	1,061,663	0
TOTAL, FNS Accounts.....	19,789,435	20,697,262	20,696,022	-102,240

FOOD AND NUTRITION SERVICE

Food Assistance Table
Outlays at the Recommended Level
(Dollars in Thousands)

	1988 Actual	1989 Estimate	1990 Estimate	Change 1990-1989

A. Child Nutrition Programs:				
1. Program grants to States:				
a. School Lunch Program.....	2,887,648	3,055,088	2,731,127	-323,961
b. School Breakfast Program.....	464,026	507,453	540,851	33,398
c. Child Care Food Program.....	606,354	672,467	469,560	-202,907
d. Summer Food Service Program.....	108,436	147,664	158,962	11,298
e. State Admin. Expenses.....	55,429	54,551	47,430	-7,121
TOTAL, Cash payments to States.....	4,121,893	4,437,223	3,947,930	-489,293

2. Commodities to States (including cash in lieu of commodities):				
a. FNS commodities.....	157,264	179,951	220,461	40,510
b. AMS Section 32 commodities.....	349,670	350,900	350,900	0
c. CCC bonus commodities.....	0	0	0	0
d. AMS bonus commodities.....	0	0	0	0
TOTAL, Commodities to States.....	506,934	530,851	571,361	40,510

3. Nutrition studies and education:				
a. Nutrition studies and surveys, section 6(a)(3)..	2,085	2,085	3,085	1,000
b. Nutrition education and training, section 19....	5,000	5,000	0	-5,000
c. Child Nutrition Federal Review System.....	0	4,456	6,229	1,773
TOTAL, Nutrition studies and education.....	7,085	11,541	9,314	-2,227

TOTAL, Child Nutrition Programs.....	4,635,604	4,979,615	4,528,605	-451,010
LESS: AMS Section 32 commodities.....	349,670	350,900	350,900	0
CCC bonus commodities.....	0	0	0	0
AMS bonus commodities.....	0	0	0	0
FNS Child nutrition account.....	4,285,934	4,628,715	4,177,705	-451,010

B. Special Milk Program: Cash Payments.....	18,342	20,043	6,170	-13,873

C. Special Supplemental Food Program (WIC):				
1. Cash Grants to States.....	1,800,874	1,938,254	1,954,282	16,028
2. Studies and Evaluations.....	2,684	3,000	5,000	2,000
TOTAL, Special Supplemental Food Program and FNS Account (WIC).....	1,803,558	1,941,254	1,959,282	18,028

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FOOD AND NUTRITION SERVICE

Food Assistance Table
Outlays at the Recommended Level
(Dollars in Thousands)

	1988 Actual	1989 Estimate	1990 Estimate	Change 1990-1989

D. Commodity Supplemental Food Program (CSFP):				
1. Commodities for supplemental food.....	37,864	48,763	49,105	341
2. Payments to distributing agencies for administration.....	8,464	7,423	9,293	1,870
3. Special administrative funds.....	2,560	3,443	3,556	113
4. CCC donations.....	0	0	0	0
SUBTOTAL, Commodity Supplemental Food Program (CSFP).....	48,888	59,629	61,953	2,324
LESS: CCC Donations.....	0	0	0	0
TOTAL, FNS CSFP Account.....	48,888	59,629	61,953	2,324

E. Food Stamp Program:				
1. Benefit costs.....	11,111,079	11,428,306	11,564,185	135,879
2. State administrative costs.....	1,017,070	1,210,662	1,047,317	-163,345
3. Other program costs.....	136,815	228,674	200,132	-28,542
4. Excess state error liabilities.....	0	0	-101,000	-101,000
5. Transfer to Extension Service.....	0	0	0	0
TOTAL, Food Stamp Program and Account.....	12,264,964	12,867,642	12,710,634	-157,008

F. Nutrition Assistance for Puerto Rico.....	880,261	908,010	825,166	-82,844

G. Cash and Commodities for Selected Groups:				
1. Food Distribution Program on Indian Reservations:				
a. Commodities in lieu of food stamps.....	46,676	36,788	43,762	6,974
b. Distributing agency administrative costs.....	14,063	14,180	16,704	2,524
c. Section 32 bonus commodities.....	0	0	0	0
d. Section 416 bonus commodities.....	0	0	0	0
TOTAL, Food Distribution Program on Reservations.....	60,739	50,968	60,466	9,498
LESS: Bonus commodities.....	0	0	0	0
TOTAL, FNS Food Distribution Program on Indian Reservations Account.....	60,739	50,968	60,466	9,498

2. Nutrition Program for the Elderly:				
a. Commodities.....				
b. Cash in lieu of commodities.....				
c. Section 32 Bonus Commodities.....				
d. Section 416 Bonus Commodities.....				
TOTAL, Nutrition Program for the Elderly.....	0	0	0	0
LESS: Bonus Commodities.....	0	0	0	0
TOTAL, FNS Nutrition Program for the Elderly Account.....	0	0	0	0

3. Commodities for Soup Kitchens.....	0	40,000	40,000	0

TOTAL, FNS Cash and Commodities for Selected Groups Account.....	193,937	243,023	245,302	2,279

continued on next page

FOOD AND NUTRITION SERVICE

Food Assistance Table
Outlays at the Recommended Level
(Dollars in Thousands)

	1988 Actual	1989 Estimate	1990 Estimate	Change 1990-1989
H. Temporary Emergency Food Assistance Program (TEFAP):				
1. FNS Commodities.....	0	120,000	120,000	0
2. CCC Bonus Commodities.....	0	0	0	0
3. TEFAP Administrative Expense.....	28,584	38,150	0	-38,150
TOTAL, Temporary Emergency Food Assistance Program.....	28,584	158,150	120,000	-38,150
LESS: Bonus Commodities.....	0	0	0	0
TOTAL, FNS TEFAP Account.....	28,584	158,150	120,000	-38,150
I. Bonus Commodities to Other Outlets:				
1. Charitable Institutions				
a. Section 32 commodities.....	0	0	0	0
b. Section 416 commodities.....	0	0	0	0
2. Summer Camps				
a. Section 32 commodities.....	0	0	0	0
b. Section 416 commodities.....	0	0	0	0
3. Disaster Feeding				
a. Section 32 commodities.....	0	0	0	0
b. Section 416 commodities.....	0	0	0	0
TOTAL, Bonus Commodities to Other Outlets.....	0	0	0	0
J. Food Program Administration:				
1. Child nutrition.....	27,434	28,767	31,162	2,395
2. Special milk.....	153	160	173	13
3. Supplemental feeding.....	6,939	7,276	7,882	606
4. Food stamp.....	48,524	50,880	55,116	4,236
5. Cash and commodity subsidies.....	1,781	1,868	2,023	155
TOTAL, Food Program Administration.....	84,831	88,951	96,356	7,405
GRAND TOTAL, Food Assistance.....	19,825,771	21,114,262	20,408,632	-705,630
LESS: Section 32 commodities for CN.....	349,670	350,900	350,900	0
AMS bonus commodities.....	0	0	0	0
CCC bonus commodities.....	0	0	0	0
TOTAL, FNS Accounts.....	19,476,101	20,763,362	20,057,732	-705,630

FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

[Child Nutrition Programs] Child Nutrition Payments to States:

For necessary expenses to carry out the National School Lunch Act (42 U.S.C. 1751-1769b), and the applicable provisions other than sections 3
 1 [and], 17, 18, and 19 of the Child Nutrition Act of 1966 (42 U.S.C.
 2 1773-1785, and [1788-] 1789); [\$4,590,816,000] \$4,849,980,000, to
 3 remain available through September 30, [1990] 1991, of which
[\$497,544,000] \$693,426,000 is hereby appropriated and [\$4,093,272,000]
\$4,156,554,000 shall be derived by transfer from funds available under
 section 32 of the Act of August 24, 1935 (7 U.S.C. 612c): Provided,
 That funds appropriated for the purpose of section 7 of the Child
 Nutrition Act of 1966 shall be allocated among the States but the
 distribution of such funds to an individual State is contingent upon
 that State's agreement to participate in studies and surveys of
 programs authorized under the National School Lunch Act and the Child
 Nutrition Act of 1966, when such studies and surveys have been directed
 4 by the Congress and requested by the Secretary of Agriculture: Provided
further, That funds available under this heading for State
administrative expenses, together with funds previously obligated for
such purpose which remain unobligated by the States at the beginning of
fiscal year 1990, shall be deemed to meet the funding level pursuant to
section 7 of the Child Nutrition Act of 1966: Provided further, That if
 the Secretary of Agriculture determines that a State's administration
 of any program under the National School Lunch Act or the Child
 Nutrition Act of 1966 (other than section 17), or the regulations
 issued pursuant to these Acts, is seriously deficient, and the State
 fails to correct the deficiency within a specified period of time, the
 Secretary may withhold from the State some or all of the funds
 allocated to the State under section 7 of the Child Nutrition Act of
 1966 and under section 13(k)(1) of the National School Lunch Act; upon
 a subsequent determination by the Secretary that the programs are
 operated in an acceptable manner some or all of the funds withheld may
 be allocated: Provided further, That only final reimbursement claims
 for service of meals, supplements, and milk submitted to State agencies
 by eligible schools, summer camps, institutions, and service
 institutions within sixty days following the month for which the
 reimbursement is claimed shall be eligible for reimbursement from funds
 appropriated under this Act. States may receive program funds
 appropriated under this Act for meals, supplements, and milk served
 during any month only if the final program operations report for such
 month is submitted to the Department within ninety days following that
 month. Exceptions to these claims or reports submission requirements
 may be made at the discretion of the Secretary: Provided further, That
 up to [\$5,200,000] \$6,400,000 shall be available to develop a system
 for independent verification of school food service claims.

The first and second changes delete citations applicable to Nutrition Education and Training Program. No funding is requested in the 1990 Budget.

The third change makes the 1990 appropriation available until September 30, 1991.

The fourth change authorizes the inclusion of unobligated prior year balances occurring at the State level in the calculation of funds available for authorized State administrative expenses in Fiscal Year 1990.

CHILD NUTRITION PROGRAMS - CURRENT LAW

Appropriations Act, 1989	\$4,590,816,000
Budget Estimate, 1990	<u>4,849,980,000</u>
Increase in Appropriation	<u>+259,164,000</u>

CHILD NUTRITION PROGRAMS - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1990	\$4,849,980,000
Change due to proposed legislation	<u>-935,334,000</u>
Net request, President's 1990 Budget Request	<u>3,914,646,000</u>

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
School lunch program	\$3,025,352,000	+\$89,622,000	\$3,114,974,000
School breakfast program	514,498,000	+46,428,000	560,926,000
State administrative expenses	58,411,000	-17,624,000	a/ 40,787,000
Summer food service program	147,824,000	+12,759,000	160,583,000
Child care food program	655,932,000	+99,456,000	755,388,000
Commodity procurement	176,514,000	+31,323,000	207,837,000
Nutrition studies and surveys	2,085,000	+ 1,000,000	3,085,000
Nutrition education and training	5,000,000	- 5,000,000	0
Federal Review System	5,200,000	+ 1,200,000	6,400,000
Total Appropriation	<u>4,590,816,000</u>	<u>+259,164,000</u>	<u>4,849,980,000</u>
Proposed Legislation	<u>-80,348,000</u>		<u>-935,334,000</u>
Total Available, President's Budget b/...	<u>4,510,468,000</u>		<u>3,914,646,000</u>

a/ Assumes that \$19,864,000 of Fiscal Year 1989 funds unobligated by State Agencies will be available for use in Fiscal Year 1990 for a total of \$60,651,000.

b/ The level of available funding in Fiscal Year 1989 assumes the implementation of proposed legislation on July 1, 1989, with resulting reduction of \$80,348,000.

PROJECT STATEMENT - CURRENT LAW
(On basis of appropriation)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Increase or Decrease</u>	<u>1990 Estimated</u>
1. Cash payments to States:				
(a) School lunch program:				
(1) Upper income lunches	\$297,000,000	\$306,468,000	+\$7,833,000	\$314,301,000
(2) Lower income lunches	279,205,000	287,408,000	+7,891,000	295,299,000
(3) Low income lunches	2,491,982,000	2,431,476,000	+73,898,000	2,505,374,000
Total, School lunch...	<u>3,068,187,000</u>	<u>3,025,352,000</u>	<u>+89,622,000(1)</u>	<u>3,114,974,000</u>
(b) School breakfast program:				
(1) Upper income breakfasts	9,846,000	10,599,000	+3,929,000	14,528,000
(2) Lower income breakfasts	15,371,000	17,339,000	+2,910,000	20,249,000
(3) Low income breakfasts	454,602,000	486,560,000	+39,589,000	526,149,000
Total, School breakfast	<u>479,819,000</u>	<u>514,498,000</u>	<u>+46,428,000(2)</u>	<u>560,926,000</u>

Project	1988 Actual	1989 Estimated	Increase or Decrease	1990 Estimated
(c) State administrative expenses	54,289,000	58,411,000	-17,624,000(3)	a/ 40,787,000
(d) Summer food service program	137,649,000	147,824,000	+12,759,000(4)	160,583,000
(e) Child care food program:				
(1) Meal Service:				
(a) Upper income meals	215,159,000	237,053,000	+73,729,000	310,782,000
(b) Lower income meals	25,013,000	26,737,000	+2,406,000	29,143,000
(c) Low income meals	357,838,000	382,142,000	+21,257,000	403,399,000
Subtotal	598,010,000	645,932,000	+97,392,000	743,324,000
(2) Audit expenses	1,826,000	10,000,000	+2,064,000	12,064,000
Total, Child care food program.....	599,836,000	655,932,000	+99,456,000(5)	755,388,000
2. Commodity procurement:				
(a) Commodities	121,141,000	142,270,000	+25,246,000	167,516,000
(b) Cash in lieu of commodities	33,573,000	34,244,000	+6,077,000	40,321,000
Total, Commodity procurement	154,714,000	176,514,000	+31,323,000(6)	207,837,000
3. Nutrition studies and education:				
(a) Nutrition studies and surveys	2,085,000	2,085,000	+1,000,000(7)	3,085,000
(b) Nutrition education and training	1,050,000	5,000,000	-5,000,000(8)	--
Total, Nutrition studies and education	3,135,000	7,085,000	-4,000,000	3,085,000
4. Federal Review System	--	5,200,000	+1,200,000(9)	6,400,000
Total, Appropriation	4,497,629,000	4,590,816,000	+259,164,000	4,849,980,000
Proposed Legislation		-80,348,000		-935,334,000
President's Budget		4,510,468,000:a/		3,914,646,000

a/ The level of available funding in Fiscal Year 1989 assumes the implementation of proposed legislation on July 1, 1989 with the resulting reduction of \$80.3 million.

PROJECT STATEMENT - CURRENT LAW
(On basis of available funds)

Project	1988 Actual	1989 Estimated	Increase or Decrease	1990 Estimated
1. Cash payments to States:				
(a) School lunch program:				
(1) Upper income lunches	\$296,141,128	\$311,641,000	+\$21,059,000	\$332,700,000
(2) Lower income lunches	270,313,161	289,647,000	+22,940,000	312,587,000
(3) Low income lunches	2,368,542,028	2,496,537,000	+155,502,759	2,652,039,759
Total, School lunch	2,934,996,317	3,097,825,000	+199,501,759(1)	3,297,326,759
(b) School breakfast program:				
(1) Upper income breakfasts	10,694,103	11,775,000	+2,753,000	14,528,000

Project	1988 Actual	1989 Estimated	Increase or Decrease	1990 Estimated
(2) Lower income breakfasts	16,183,111	17,840,000	+	2,409,000
(3) Low income breakfasts	446,313,178	480,108,000	+	46,041,000
Total, School breakfast	473,190,392	509,723,000	+	51,203,000(2)
(c) State administrative expensesa/	55,442,519	56,754,000	-	15,967,000(3)
(d) Summer food service programb/	136,311,634	149,245,000	+	11,338,000(4)
(e) Child care food program:				
(1) Meal service				
(a) Upper income meals	247,330,719	273,192,000	+	37,590,000
(b) Lower income meals	23,543,000	25,514,000	+	3,629,000
(c) Low income meals	334,923,000	360,137,000	+	43,262,000
Subtotal	605,796,719	658,843,000	+	84,481,000
(2) Audit expenses ...	7,278,914	10,542,000	+	1,522,000
Total, Child care food program	613,075,633	669,385,000	+	86,003,000(5)
2. Commodity procurement:				
(a) Commodities	121,705,075	144,669,000	+	22,847,000
(b) Cash in lieu of commodities	35,558,595	34,821,000	+	5,500,000
Total, Commodity procurement	157,263,670	179,490,000	+	28,347,000(6)
3. Nutrition studies and education:				
(a) Nutrition studies and surveys	2,085,000	2,085,000	+	1,000,000(7)
(b) Nutrition education and training	5,000,000	5,000,000	-	5,000,000(8)
Total, Nutrition studies and education	7,085,000	7,085,000	-	4,000,000
4. Federal Review System .c/	0	5,200,000	+	1,200,000(9)
Total, Obligations	4,377,365,165	4,674,707,000	+	357,625,759
Recovery of prior year obligations	-119,661,832			
Unobligated balances:				
Available, start of year	-28,117,921	-266,243,759	+	83,891,000
Available, end of year ..	266,243,759	182,352,759	-	182,352,759
Lapsing	+1,799,829	--	--	--
Total, Appropriation	4,497,629,000	4,590,816,000	+	259,164,000
Proposed Legislation,		-80,348,000		-935,334,000
President's Budget		4,510,468,000:d/		3,914,646,000

a/ Includes 37 staff years in Fiscal Year 1988 and 30 staff years in Fiscal Years 1989 and 1990 for regional office administered programs. In Fiscal Year 1990, approximately \$20 million will be available from 1989 funds unused by States, for a total funding level of \$60.8 million.

b/ Includes 20 staff years for Summer Food Service Program monitors in Fiscal Years 1988 and 1989.

c/ Includes 80 staff years in Fiscal Year 1989 and 150 staff years in Fiscal Year 1990.

d/ The level of available funding in Fiscal Year 1989 assumes the implementation of proposed legislation on July 1, 1989, with resulting reduction of \$80.3 million.

EXPLANATION OF PROGRAM

Overview of Program Development. The Child Nutrition Programs, authorized by the National School Lunch Act (NSLA) and the Child Nutrition Act of 1966, subsidize meals served to children in schools and in a variety of other institutions.

The Child Nutrition Programs have their origins in commodity distribution programs operated in the 1930's. In 1946, the National School Lunch Act established the National School Lunch Program "to safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of nutritious agricultural commodities."

In 1966, Congress expanded the lunch program by providing for a pilot breakfast program, which was made a permanent program in 1975. Meal service was extended to pre-school age children in child care in 1968. In 1969, Congress made provision to assist feeding programs in serving meals to children for free or at a reduced price for children who met certain income eligibility guidelines. A Summer Food Service Program was initiated in 1968 to serve especially needy children while school was out of session.

Eligibility and Benefits. A general description of eligibility for and benefits of the programs follows.

1. Cash Payments to States. The programs are operated under an agreement entered into by the State agencies and the Department. Funds are made available by letters of credit to State agencies for use in reimbursing participating schools and other institutions. Sponsors make application to the State agencies and, if approved, are reimbursed on a per-meal basis in accordance with the terms of their agreements and the rates prescribed by law. The reimbursement rates are adjusted annually to reflect changes in the Consumer Price Index for Food Away From Home as provided for in Section 11 of the National School Lunch Act.

(a) National School Lunch Program. Assistance is provided to the States for the service of lunches to children in participating schools and institutions, regardless of household income. Additional assistance is provided to the States for serving lunches free or at a reduced price to needy children. States must match a portion of the Federal cash grant. In Fiscal Year 1989, the National School Lunch Program will provide assistance for serving an estimated 4.1 billion lunches, including 2.1 billion for children from upper income families, 267 million for children from lower income families and 1.7 billion for children from low income families. Schools which, in the second previous school year, served at least 60 percent of their lunches at free or reduced prices receive an additional two cents per meal assistance. About one third of all lunches served in Fiscal Year 1988, or 1.3 billion, received an additional \$0.02 subsidy. An estimated 24.7 million children are expected to participate in the National School Lunch Program daily during the school year. Approximately 11.6 million needy children will participate on an average school day during the year.

(b) School Breakfast Program. Federal reimbursement is based on the number of breakfasts served to children from low, lower or upper income families. Schools that served at least 40 percent of their lunches at free or reduced prices in the second preceding year and had unusually high preparation costs which exceeded regular breakfast per meal reimbursement, receive higher subsidies in both the free and reduced price categories. In Fiscal Year 1989, the program will serve an estimated 649 million breakfasts to a daily average of 3.7 million children.

(c) Child Care Food Program. Nonprofit child care centers and family and group day care homes receive subsidies for meals served to preschool and other children. Profit-making child care centers receiving compensation under Title XX of the Social Security Act may participate in the program if 25 percent of the children served are Title XX participants. The Child Care Food Program reimburses State agencies at varying rates for breakfasts, lunches, suppers and meal supplements. In Fiscal Year 1989, approximately 848 million meals will be served to a daily average of 1.3 million children. The Older Americans Act Amendments of 1987, P.L. 100-175, amended section 17 of the National School Lunch Act to make certain adult day care centers eligible for participation in this program providing the aim of the centers is to care for the needs of the functionally impaired. In addition, these centers may also provide subsidized meals to non-impaired individuals, providing they are 60 years or older.

(d) Summer Food Service Program. Meals served free to children in low-income neighborhoods during the summer months are supported on a per-meal basis by Federal cash subsidies to State agencies. Funds are also provided for related State and local administrative expenses. During the summer of 1989, approximately 86 million meals will be served to about 1.7 million children in the peak month.

(e) State Administrative Expenses. These funds may be used for State employee salaries, benefits, support services and office equipment. The State Administrative Expenses grant is equal to 1.5 percent of Federal cash program payments for the National School lunch, School Breakfast, Child Care Food and Special Milk Programs in the second previous fiscal year. In Fiscal Year 1989, approximately \$57 million will be allocated among the States to fund on-going State administrative expenses and to improve the management of the various nutrition programs.

2. Commodity Procurement. Entitlement commodities and cash-in-lieu thereof required under section 6(e) of the National School Lunch Act (NSLA) are provided from two sources: funds appropriated to the Child Nutrition Programs and funds available to the Agriculture Marketing Service (AMS) under section 32 of the Act of August 24, 1935. Commodities are purchased for distribution to the School Lunch, Child Care Food and Summer Food Service Programs. The minimum, or "entitlement" commodity support rate for all school lunch and child care center lunches and suppers served is mandated by section 6(e) of the National School Lunch Act and is adjusted annually on July 1 to reflect changes in the Producer Price Index for Food Used in Schools and Institutions. For the period July 1, 1988 through June 30, 1989, the commodity support rate for the NSLP and CCFP is 12.25 cents per lunch.

The \$530.4 million available in Fiscal Year 1989 for entitlement commodity support for Child Nutrition Programs (including commodities, cash-in-lieu of commodities and administrative costs) includes \$350.9 million from Section 32 funds and \$179.5 million from direct appropriation.

Section 32. This authority provides for purchase of perishable non-price support commodities when it is necessary to stabilize market conditions. Within the constraints of market conditions, seasonality of crops, and other factors, these purchases are planned so that commodities are delivered to schools on a regular basis throughout the year. The typical commodities purchased include meat, poultry, fish, fruits and vegetables.

Section 6(e) of the National School Lunch Act. Although market considerations play a role, essentially, this section can be used to purchase price support and non-price support commodities based on recipient need and preference. Section 6(e) funds are used to provide schools with some of the perishable foods, such as meat, as well as non-perishable price support commodities (grains, oil, and peanut products) that they need. In addition, section 6(e) funds are used to provide cash-in-lieu of commodities when authorized by law. The areas currently receiving cash-in-lieu of commodities are Kansas, the sites which participated in the study of alternatives to commodity donation and which received commodity assistance in the form of cash-in-lieu of Commodity Letters of Credit, and child care centers which may elect to receive all of their commodity entitlement in cash. In Fiscal Year 1989, cash-in-lieu obligations are estimated to account for about \$34.8 million of the Child Nutrition appropriation used for commodity purchases.

Bonus Commodities. In addition to entitlement commodities, when supplies permit, "bonus" commodities are provided to schools and institutions. Outlets can obtain as much of some bonus commodities as they can use without waste; other bonus commodities are offered on a limited basis. These commodities are purchased by AMS and the Commodity Credit Corporation (CCC) and then donated to FNS for distribution. The two sources of bonus commodities are the Price Support Program and the Surplus Removal Program.

Price Support Program. When the Commodity Credit Corporation (CCC) acquires significant inventories of price support commodities, section 416 of the Agricultural Act of 1949 authorizes the CCC to donate commodities from its inventory to schools and other institutions. During Fiscal Year 1988, the Department donated cheese, butter, nonfat dry milk, honey, milled rice and flour (in States which participated in the bonus flour threshold program). Section 416 bonus donations to the Child Nutrition Programs were estimated at \$347.8 million in Fiscal Year 1988.

Surplus Removal Program. Under the provisions of Section 32, funds are available for emergency surplus removal purchases. The Secretary of Agriculture determines when perishable commodities such as meats, poultry, fish, fruits and vegetables should be purchased and donated to schools and institutions under this surplus removal authority. In Fiscal Year 1988, about \$56.0 million in bonus commodities were delivered to schools and other eligible child nutrition outlets under this authority.

3. Nutrition Studies and Education

(a) Nutrition Studies and Surveys. Section 6(a)(3) of the National School Lunch Act authorizes the use of Child Nutrition Program funds for nutrition studies and surveys. The purpose of these studies and surveys is to provide descriptive and evaluative information about the programs in order to make informed decisions and improve program operations.

(b) Nutrition Education and Training (NET). This program, established in 1977 under P.L. 95-166, has provided funds for State agencies to begin or augment instruction of educators and students in the fundamentals of nutrition and training of school food service personnel in nutrition and food service management to help build good food habits.

State/Federal Responsibilities. The Child Nutrition Programs are operated through a State/Federal partnership under agreements signed by State educational, agricultural, social service or health agencies and FNS. Through this Federal/State partnership, FNS has agreements with 81 State agencies (including Indian Tribal Organizations). There are nearly 20,000 School Food Authorities which oversee the activities of over 90,000 schools, over 40 percent of which offer both lunch and breakfast. Typical sponsors include School Food Authorities and local county or municipal governments. Currently there are 1,990 sponsors for the Summer Food Service Program and approximately 9,400 sponsors of the Child Care Food Program (CCFP). There are currently about 120,000 Child Care Centers and family day care homes participating in the CCFP.

FNS provides cash reimbursements for meals served by type and ensures that appropriate commodities are delivered on a timely basis. FNS also provides funds to help defray State administrative expenses. FNS also promulgates rules implementing the programs as defined by statute, including specifying nutritional requirements for the meals (i.e., meal patterns), meal counting and reporting procedures to ensure confidentiality of free and reduced price meal recipients while assuring accurate counts; requirements for cash and facilities management; and other administrative requirements.

JUSTIFICATION OF INCREASES AND DECREASES

The Fiscal Year 1990 request for the Child Nutrition Programs reflects an increase of \$259,164,000.

- (1) An increase of \$89,622,000 in the appropriation for the School Lunch Program (\$3,025,352,000 available in 1989). On the basis of available funds, there is an increase of \$199,501,759 (\$3,097,825,000 available in 1989).

Need for Change. The total number of school lunches is expected to increase by 57 million in Fiscal Year 1990 due to increased school enrollment. The projected rise in reimbursement rates on July 1 reflecting increases in the Consumer Price Index (CPI) for Food Away from Home will contribute to the need for increased funding.

Nature of Change. A funding level of \$3,114,974,000 will be needed in Fiscal Year 1990 for the School Lunch Program to provide full reimbursement for meals served. The following table compares meals served and rates:

<u>Lunches Served in Millions</u>	<u>FY 1989 Estimate</u>	<u>FY 1990 Estimate</u>	<u>Change</u>
Upper income	2,159	2,189	+30
Lower income	267	271	+4
Low income	<u>1,682</u>	<u>1,705</u>	<u>+23</u>
Total	4,108	4,165	+57
Average participation (millions)	24.7	25.0	+0.3
Average rates (cents)			
Upper income	14.43	15.20	+0.77
Lower income	108.29	115.28	+6.99
Low income	148.42	155.52	+7.10
Program Cost (\$ mil)	\$3,097.8 <u>a/</u>	\$3,297.3 <u>a/</u>	+\$199.5

a/ Includes funds for schools which receive additional two cents reimbursement.

- (2) An increase of \$46,428,000 in the appropriation for the School Breakfast Program (\$514,498,000 available in 1989). On the basis of available funds, there is an increase of \$51,203,000 (\$509,723,000 available in 1989).

Need for Change. An increase of 12 million meals is projected for Fiscal Year 1990. In addition, the projected rise in reimbursement rates on July 1 reflecting increases in the CPI for Food Away from Home will contribute to the need for increased funding.

Nature of Change. An appropriation of \$560,926,000 will be needed in Fiscal Year 1990 for the School Breakfast Program.

The following table compares meals and rates in the School Breakfast Program by category.

<u>Breakfasts Served in Millions</u>	<u>FY 1989 Estimate</u>	<u>FY 1990 Estimate</u>	<u>Change</u>
Upper income	81	82	+1
Lower income	30	31	+1
Low income	<u>538</u>	<u>548</u>	<u>+10</u>
Total	649	661	+12
Average participation (mil)	3.7	3.8	+0.1
Average rates (cents)			
Upper income	14.56	17.64	+3.08
Lower income	58.27	64.94	+6.67
Low income	89.30	96.10	+6.80
Program Cost (\$ mil)	\$509.7	\$560.9	+\$51.2

- (3) A decrease of \$17,624,000 in the appropriation for State Administrative Expenses (\$58,411,000 available in 1989). On the basis of available funds, there is a decrease of \$15,967,000 (\$56,754,000 available in 1989).

Need for Change. States will carry over approximately \$20 million in unused funds from 1989 Federal obligations. Appropriation language has been proposed to consider those funds to be available in Fiscal Year 1990 to meet the total grant levels mandated by law. An offsetting increase of \$2 million is due to the increase in meal service in Fiscal Year 1988, the base year for grant formulation.

Nature of Change. An appropriation of \$40,787,000 will be needed in Fiscal Year 1990 for State Administrative Expenses. Each State will receive a grant of at least one percent of the funds expended by the State during Fiscal Year 1988 with a minimum grant of \$100,000. The funds available above the basic grant will be allocated to the States to improve program administration.

- (4) An increase of \$12,759,000 in the appropriation for the Summer Food Service Program (\$147,824,000 available in 1989). On the basis of available funds, there is an increase of \$11,338,000 (\$149,245,000 available in 1989).

Need for Change. An increase of 2.4 million meals is projected for Fiscal Year 1990. The projected rise in the reimbursement rate on January 1 reflecting increases in the CPI for Food Away from Home will contribute to the need for increased funding.

Nature of Change. An appropriation of \$160,583,000 will be needed in the Summer Food Service Program in Fiscal Year 1990 to provide full reimbursement for meals served.

- (5) An increase of \$99,456,000 in the appropriation for the Child Care Food Program (\$655,932,000 available in 1989). On the basis of available funds, there is an increase of \$86,003,000 (\$669,385,000 available in 1989).

Need for Change. An increase of 72 million meals is projected for Fiscal Year 1990 in child care centers, family day care homes and adult day care centers. In addition, the projected rise in reimbursement rates on July 1 reflecting increases in the CPI for Food Away from Home will contribute to the need for increased funding.

Funding for Child Care Audits will increase as a result of increased meal service in Fiscal Year 1988, which is the base year for determining grants to States for this activity.

Nature of Change. A funding level of \$755,388,000 will be needed in Fiscal Year 1990 in the Child Care Food Program to provide full reimbursement for meals served.

The following table compares the Fiscal Year 1989 meals and rates with the projected Fiscal Year 1990 Program.

<u>Meals Served in Millions</u>	<u>FY 1989 Estimate</u>	<u>FY 1990 Estimate</u>	<u>Change</u>
Child care centers:			
Upper income	146	160	+14
Lower income	44	48	+4
Low income	275	299	+24
Total child care centers.....	465	507	+42
Family day care homes.....	383	413	+30
Total.....	848	920	+72
Average subsidy per meal (cents):			
Child care centers:			
Upper income	9.65	10.20	+0.55
Lower income	58.83	60.60	+1.77
Low income	92.46	94.69	+2.23
Family day care homes.....	79.10	83.50	+4.40
Program cost (\$mil).....	\$669.4	\$755.4	+\$86.0

- (6) An increase of \$31,323,000 in the appropriation for Commodity Procurement (\$176,514,000 available in 1989). On the basis of available funds, there is an increase of \$28,347,000 (\$179,490,000 available in 1989).

Need for Change. An increase in meal service projections for school lunches and child care centers, plus an increase in the per meal rate for commodity support will result in increased funding requirements for Fiscal Year 1990.

Nature of Change. In addition to the direct appropriation for commodity procurement for the Child Nutrition Programs, the Agricultural Marketing Service provides the Child Nutrition Programs with commodities purchased with funds from Funds for Strengthening Markets, Income, and Supply (Section 32).

The total projected usage of the funds from the two accounts in Fiscal Years 1989 and 1990 is as follows:

<u>Account</u>	(Dollars in Millions)		
	<u>FY 1989 Estimate</u>	<u>FY 1990 Estimate</u>	<u>Change</u>
Child Nutrition Programs ..	\$179.5	\$207.8	+\$28.3
Funds for Strengthening Markets, Income and Supply (Section 32)	<u>350.9</u>	<u>350.9</u>	<u>--</u>
Total	\$530.4	\$558.7	+\$28.3

- (7) An increase of \$1,000,000 in the appropriation (and available funds) for Nutrition Studies and Surveys (\$2,085,000 available in 1989).

Need for change. Accurate and representative evaluative and descriptive information is needed in addition to what is available from routine program and financial reports, if the Department is to make informed decisions about program operations and implementation of legislative changes. To meet these needs, during Fiscal Year 1988, the Food and Nutrition Service completed and published a variety of descriptive reports, including studies on: the Child Care Food Program, the Summer Food Service Program, participant characteristics and determinants of participation in the National School Lunch Program (NSLP) and School Breakfast Program (SBP); State Administrative Expenses in the Child Nutrition Programs; and the sodium and macronutrient content of USDA School Lunches. A new study was also initiated during Fiscal Year 1988 to increase the Agency's knowledge of the day care patterns and usage nationwide so as to improve the Department's ability to serve low-income children through the Child Care Food Program.

In Fiscal Year 1989, the Agency is continuing its study of Child Nutrition Program Operations, initiated in Fiscal Year 1987 to survey a national sample of school districts, and plans to complete the initial data collection effort during Fiscal Year 1989. The Agency is also nearing completion of a study of income verification practices used in the NSLP and SBP. This study included a demonstration of alternative methods for verifying eligibility for meal benefits.

An increase from the Fiscal Year 1989 funding level of \$2,085,000 is necessary in order for the Department to undertake its first assessment of the commodity distribution to Charitable Institutions Program, which provides commodities to soup kitchens, shelters and other organizations. The value of commodities distributed via the program was approximately \$150 million in 1988 and the Hunger Prevention Act of 1988, P.L. 100-435, authorized purchases of \$40 million worth of commodities for this program in addition to bonus commodities. With this program growing in importance, it is important for the Department to gain a more complete understanding of its distribution and accountability systems.

Nature of Change. An appropriation of \$3,085,000 will be needed in Fiscal Year 1990 to fund current studies and initiate the assessment of commodity distribution to charitable institutions.

- (8) A decrease of \$5,000,000 in the appropriation (and available funds) for the Nutrition Education and Training Program (\$5,000,000 available in 1989).

Need for Change. This program was intended to provide seed money for the States to begin or augment training of educational and school food service personnel to provide nutrition educational programs in schools. Since 1978, over \$117 million has been provided for these purposes. Since these programs are now well established, there is no longer a need for seed money. Also, a legislative proposal will be submitted to repeal section 19 of the Child Nutrition Act of 1966, 42 U.S.C. 1788, which is the

section that authorizes Federal funding for NET. States have had the opportunity to prepare to take over and decide the appropriate funding level for their NET program operations, since the Federal funding has been maintained at \$5 million in recent years from an original funding level of \$26 million and since the issue of ending Federal subsidies for this program has been raised in the Congress before.

Nature of Change. No funding is requested for this program in Fiscal Year 1990.

- (9) An increase of \$1,200,000 in the appropriation (and available funds) for the Federal Review System (\$5,200,000 available in 1989).

Need for Change. The Federal Review System was started after a series of audits and reviews indicated problems in school meal counting and claiming free meal reimbursements for more meals than actually served to eligible children. A pilot program to assess the situation began in 1989. Reviews of a representative sample of school food authorities (SFA's) will occur this spring in coordination with State agencies to avoid duplication with the State agency review cycle. Reviews will be conducted using standards consistent with State-conducted review standards and results will be shared with the States. Additional funds are requested in the 1990 budget to continue these efforts and to develop methods to assist SFA's to improve the accuracy of their meal counting and claiming.

Nature of Change. An appropriation of \$6,400,000 will be needed in Fiscal Year 1990 to fully fund the Federal Review Program.

CHILD NUTRITION PROGRAMS
Summary of Proposed Legislation

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

Item of Change	1989		1990	
	Current Law	President's Request	Current Law	President's Request
School lunch program	\$3,025,352,000	\$2,946,685,000	\$3,114,974,000	\$2,500,713,000
School breakfast program	514,498,000	512,356,000	560,926,000	546,402,000
State administrative expenses	58,411,000	58,411,000	40,787,000	40,787,000
Summer food service program	147,824,000	147,824,000	160,583,000	160,583,000
Child Care food program	655,932,000	655,932,000	755,388,000	436,215,000
Commodity procurement	176,514,000	176,975,000	207,837,000	220,461,000
Nutrition studies and surveys	2,085,000	2,085,000	3,085,000	3,085,000
Nutrition education and training	5,000,000	5,000,000	0	0
Federal Review System	5,200,000	5,200,000	6,400,000	6,400,000
Total request	<u>4,590,816,000</u>	<u>4,510,468,000</u>	<u>4,849,980,000</u>	<u>3,914,646,000</u>

Explanation of Proposed Legislation

Under current law approximately \$948 million of the Child Nutrition Program annual budget is used for cash subsidies for meals served to children from families with incomes above 185 percent of poverty. A legislative proposal will be submitted to end these subsidies. The savings in cash payments for non-needy will be offset by an increase of \$12.6 million in commodity subsidies for meals served to needy children for a net savings of \$935 million. The reduced Federal subsidy will be offset by the States, local school districts or the children's families. If the entire reduction were passed along to the children as increases in meal prices, the price of a school lunch would change from about \$0.90 to about \$1.20. Since paid meal families had a median income of \$39,000 in 1985, the additional expenditure of less than \$50 per year per child to continue to receive a school lunch should not be an obstacle to participation. Full subsidies would continue to be provided for all meals served to needy children and the level of entitlement commodities purchased from producers and distributed to the schools and institutions for use in the meals would be maintained.

Federal subsidies should be targeted to needy children rather than children from middle and upper income families. Over half of the meals served in the National School Lunch Program are served to children from families with incomes above 185 percent of poverty. In family day care homes, where needy and non needy children receive the same per meal subsidy, over 70 percent of children are from non needy families.

More specifically, the proposal would:

- Eliminate cash and entitlement commodity subsidies for meals served to children from families with incomes above 185 percent of poverty (\$21,553 for a family of four in school year 1988-89). This proposal would become effective July 1, 1989 for the School Lunch and School Breakfast Programs, and October 1, 1989 for the Child Care Food Program. July 1, 1989 implementation would result in savings of \$80,348,000 in Fiscal Year 1989.
- Maintain the Fiscal Year 1990 level of entitlement commodity support by changing the mix of cash and commodity support for free and reduced price meals served in schools and child care centers. Under this proposal the per meal commodity support rate would rise from \$0.1275 to \$0.27 in Fiscal Year 1990, and be maintained at \$0.27 thereafter.
- Reestablish a means test for meal subsidies in family day care homes in the Child Care Food Program so that only children from families with income below 185 percent of poverty would continue to receive Federally subsidized meals.

Paid meal subsidies are a fraction of total food program revenues. Student revenues and free and reduced price meal subsidies are a much more important source of funds for meal service.

Schools most affected by the proposal, those with 50 percent or more paid meals, will continue to receive over 80 percent of their total subsidies and revenues. Therefore, it is unlikely that schools would drop out of the program.

If the entire reduction in Federal subsidy is passed on in increased meal prices, some students might drop out of the program. However, since \$1.20 is a good value for a balanced meal, the vast majority are expected to continue to participate.

In summary, this proposal would (1) ensure continued full funding of meals served to needy children, (2) have a minimal impact on student participation, and (3) have a minimal impact on the number of schools participating in the program.

FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Special Milk Program:

- For necessary expenses to carry out the special milk program, as authorized by section 3 of the Child Nutrition Act of 1966 (42 U.S.C. 1772), [~~\$19,925,000~~] \$20,449,000, to remain available through September 1 30, [1990] 1991. Only final reimbursement claims for milk submitted to State agencies within sixty days following the month for which the reimbursement is claimed shall be eligible for reimbursement from funds appropriated under this Act. States may receive program funds appropriated under this Act only if the final program operations report for such month is submitted to the Department within ninety days following that month. Exceptions to these claims or reports submission requirements may be made at the discretion of the Secretary.

This change deletes matters applicable to 1989 and makes the 1990 appropriation available until September 30, 1991.

SPECIAL MILK PROGRAM - CURRENT LAW

Appropriations Act, 1989	\$19,925,000
Budget Estimate, 1990	20,449,000
Increase in Appropriation	+524,000

SPECIAL MILK PROGRAM - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1990	\$20,449,000
Change due to Proposed Legislation	-19,749,000
Net request, President's 1990 Budget Request	700,000

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Cash payments to States	\$19,925,000	+\$524,000	\$20,449,000

PROJECT STATEMENT - CURRENT LAW
(On basis of appropriation)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Increase or Decrease</u>	<u>1990 Estimated</u>
1. Cash payments to States:				
(a) Paid milk	\$19,780,000	\$18,331,000	-\$131,390	\$18,199,610
(b) Free milk	1,720,000	1,594,000	+655,390	2,249,390
Total, Appropriation	21,500,000	19,925,000	+524,000	20,449,000
Proposed Legislation				-19,749,000
President's Budget				700,000

PROJECT STATEMENT - CURRENT LAW
(On basis of available funds)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Increase or Decrease</u>	<u>1990 Estimated</u>
1. Cash payments to States:				
(a) Paid milk	\$20,349,180	\$18,986,000	+\$1,149,000	\$20,135,000
(b) Free milk	1,769,494	1,711,000	+807,666	2,518,666
Total, obligations	22,118,674	20,697,000	+1,956,666	22,653,666
Unobligated balances:				
Available, start of year	-4,182,340	-3,563,666	+772,000	-2,791,666
Available, end of year	+3,563,666	+2,791,666	-2,204,666	+587,000
Total, Appropriation	21,500,000	19,925,000	+524,000	20,449,000
Proposed legislation				-19,749,000
President's Budget				700,000

EXPLANATION OF PROGRAM

Overview of Program Development. Originally designed to support milk prices while encouraging children to drink more milk, the Special Milk Program was first funded by the Commodity Credit Corporation in 1955. The Agricultural Act of 1961 authorized the first direct appropriation for the Program. The Special Milk Program is now authorized by Section 3 of the Child Nutrition Act of 1966, as amended.

Eligibility. Eligible institutions include public and private nonprofit schools of high school grade or under, summer camps, and similar institutions that do not participate in another meal service program authorized by the Child Nutrition Act or the National School Lunch Act. In addition, children in split session kindergarten programs in non-profit schools who do not have access to the meal service programs operating in those schools may

schools who do not have access to the meal service programs operating in those schools may participate in the School Milk Program.

Benefits. The program provides institutions subsidies for half-pints of milk served to children. In Fiscal Year 1989, approximately 210.5 million half-pints of milk will be served in the Special Milk Program. These include about 198.6 million half-pints served to children whose family income is above 130 percent of poverty and about 11.9 million half-pints served free to children whose family income is at or below 130 percent of poverty. During Fiscal Year 1989, the average full cost reimbursement for milk served to needy children is expected to be 14.37 cents for each half-pint. Milk served to non-needy children is expected to be reimbursed at 9.5 cents for each half-pint. The cash reimbursement rate for non-needy children is adjusted annually on July 1.

State/Federal Responsibilities. The program is operated through a partnership under agreements signed by State educational, social service or health agencies and the Food and Nutrition Service. State agencies administer the program through local school food authorities or other institutions. FNS provides cash reimbursements for milk served to eligible children and also provides funds for state administrative expenses relating to the program.

JUSTIFICATION OF INCREASES

An increase of \$524,000 is requested in the appropriation for the Special Milk Program (\$19,925,000 available in 1989). On the basis of available funds, there is an increase of \$1,956,666 (\$20,697,000 available in 1989).

Need for change. The increase in funds is needed to maintain the program in Fiscal Year 1990 due to adjustments for inflation and increased participation.

	<u>1989</u> <u>Estimate</u>	<u>1990</u> <u>Estimate</u>
Half-pints served (millions)		
Paid	198.593	206.517
Free	<u>11.907</u>	<u>12.383</u>
Total	<u>210.500</u>	<u>218.900</u>

SPECIAL MILK PROGRAM - SUMMARY OF PROPOSED LEGISLATION
SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

<u>Item of Change</u>	<u>1989</u>		<u>1990</u>	
	<u>Current Law</u>	<u>President's Request</u>	<u>Current Law</u>	<u>President's Request</u>
<u>Special Milk Program:</u>				
Budget Authority	19,925,000	19,925,000	20,449,000	700,000
Unobligated balances:				
Available, start of year	3,563,666	3,563,666	2,791,666	7,740,666
Available, end of year	-2,791,666	-7,740,666	-587,000	-973,000
Lapsing	0	0	0	-4,949,000
Total Obligations	<u>20,697,000</u>	<u>15,748,000</u>	<u>22,653,666</u>	<u>2,518,666</u>

Explanation of Proposed Legislation

Proposed legislation to take effect on July 1, 1989 for the Special Milk Program redistributes subsidies to needy children from families at or below 130 percent of poverty. The Fiscal Year 1990 President's request of \$700,000 reflects the Department's continued support for and commitment to the Special Milk Program to assure full funding for milk served to needy children from families at or below 130 percent of poverty. This proposal is consistent with the changes proposed for the Child Nutrition Programs.

FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

[Special Supplemental Food Program for Women, Infants, and Children (WIC)] Supplemental Feeding Programs:

[For necessary expenses to carry out the Special Supplemental Food Program as authorized by section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786), \$1,929,362,000, to remain available through September 30, 1990, of which \$2,000,000 may be used to carry out the Farmers' Market Coupon Demonstration project.]

[Commodity Supplemental Food Program]

[For necessary expenses to carry out the commodity supplemental food program as authorized by section 4(a) of the Agriculture and Consumer Protection Act of 1973 (7 U.S.C. 612c (note)), including not less than \$8,000,000 for the projects in Detroit, New Orleans, and Des Moines, \$50,000,000: Provided, That funds provided herein shall remain available through September 30, 1990: Provided further, That none of these funds shall be available to reimburse the Commodity Credit Corporation for commodities donated to the program.]

For necessary expenses to carry out the special supplemental food program (WIC) (section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786)) and commodity supplemental food program (CSFP) (section 4(a) of the Agriculture and Consumer Protection Act of 1973 (7 U.S.C. 612c (note))), \$2,023,390,000 to remain available through September 30, 1991: Provided, That notwithstanding any other provision of law, amounts in excess of those necessary to fund fiscal year 1989 participation levels of women, infants, and children in the CSFP, and amounts in excess of those necessary to fund fiscal year 1989 participation levels of elderly in the CSFP shall be used to provide service to women, infants, and children in either WIC or CSFP: Provided further, That the funds provided in this Act which are allocated to each such program shall be the amount appropriated for purposes of determining State administrative grants pursuant to section 17(h) of the Child Nutrition Act and section 5(a) of the Agriculture and Consumer Protection Act: Provided further, That the funds provided in this Act which are allocated to section 17 of the Child Nutrition Act shall be the amount appropriated for purposes of determining migrant grants pursuant to section 17(g).

This change combines the appropriations for the Special Supplemental Food Program for Women, Infants, and Children (WIC) and the Commodity Supplemental Food Program (CSFP) into one account in order to simplify program administration, and give States the flexibility they need to use funds most efficiently to target assistance to those in need. Pursuant to this proposal, the Secretary will issue regulations establishing the method for allocation of funds between the two programs. Funds not needed to serve the Fiscal Year 1989 participation levels of women, infants, and children and elderly in the CSFP would be made available to provide services to women, infants, and children in either program. Because current law regarding funding levels for program administration and other activities in WIC and CSFP refers in some provisions to "sums appropriated," the amounts allocated to each program will be considered the "appropriated" amount for purposes of compliance with authorizing legislation.

SUPPLEMENTAL FEEDING PROGRAMS

Appropriations Act, 1989	\$1,979,362,000
Budget Estimate, 1990	2,023,390,000
Increase in Appropriation	<u>+44,028,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Supplemental Feeding Programs (WIC and CSFP).....	<u>\$1,979,362,000</u>	<u>+\$44,028,000</u>	<u>\$2,023,390,000</u>

PROJECT STATEMENT
(On basis of appropriation)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Increase or Decrease</u>	<u>1990 Estimated</u>
1. Special Supplemental Food Program (WIC):				
(a) Grants to States for supplemental food	\$1,440,210,400	\$1,541,089,600	+\$25,600,000	\$1,566,689,600
(b) Costs for nutrition services and administration	360,052,600	385,272,400	+6,400,000	391,672,400
(c) Program evaluation projects	2,100,000	3,000,000	--	3,000,000
Subtotal, (WIC)	<u>1,802,363,000</u>	<u>1,929,362,000</u>	<u>+32,000,000</u>	<u>1,961,362,000</u>
2. Commodity Supplemental Food Program (CSFP):				
(a) Commodities.....	39,286,380	39,021,408	+10,142,524	49,163,932
(b) Administrative costs..	7,500,000	7,500,000	+1,804,200	9,304,200
(c) Special admin.funds ..	3,213,620	3,478,592	+81,276	3,559,868
Subtotal, CSFP	<u>50,000,000</u>	<u>50,000,000</u>	<u>+12,028,000</u>	<u>62,028,000</u>
Total, Appropriation.....	<u>1,852,363,000</u>	<u>1,979,362,000</u>	<u>+44,028,000(1)</u>	<u>2,023,390,000</u>

PROJECT STATEMENT
(On basis of available funds)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Increase or Decrease</u>	<u>1990 Estimated</u>
1. Special Supplemental Food Program (WIC):				
(a) Grants to States for supplemental food ...	\$1,440,264,147	\$1,541,092,838	+\$25,596,762	\$1,566,689,600
(b) Costs for nutrition services and administration	360,066,037	385,273,209	+6,399,191	391,672,400
(c) Program evaluation projects	2,100,000	3,000,000	--	3,000,000
Subtotal, WIC	<u>1,802,430,184</u>	<u>1,929,366,047</u>	<u>+31,995,953</u>	<u>1,961,362,000</u>

Project	1988 Actual	1989 Estimated	Increase or Decrease	1990 Estimated
2. Commodity Supplemental Food Program (CSFP):				
(a) Commodities.....	30,319,330	49,271,942	-108,010	49,163,932
(b) Administrative costs..	7,500,000	7,500,000	+1,804,200	9,304,200
(c) Special admin.funds ..	2,954,380	3,478,592	+81,276	3,559,868
Subtotal, CSFP	40,773,710	60,250,534	+1,777,466	62,028,000
Total, Obligations	1,843,203,894	1,989,616,581	+33,773,419	2,023,390,000
Recovery of prior year obligations.....	-580,025	--	--	--
Unobligated balances:				
Available, start of year..	-745,991	-10,254,581	+10,254,581	--
Available, end of year....	10,254,581	--	--	--
Lapsing.....	230,541	--	--	--
Total, Appropriation.....	1,852,363,000	1,979,362,000	+44,028,000(1)	2,023,390,000

EXPLANATION OF PROGRAM

The Supplemental Feeding Programs (WIC and CSFP) are designed to provide supplemental nutritious food to pregnant, postpartum and breastfeeding women, infants and young children from low-income families during critical times of growth and development to prevent health problems and improve the status of their health. The budget request merges the funding for WIC and CSFP in order to simplify program administration and give States the flexibility they need to serve more women, infants and children and to interchange funds to most efficiently target assistance to those in need.

Special Supplemental Food Program (WIC)

Overview of Program Development. The Special Supplemental Food Program (WIC) is authorized by section 17 of the Child Nutrition Act of 1966, as amended. The program was established as a two-year pilot project under Public Law 92-433. Public Law 96-499, enacted on December 5, 1980, extended the program authorization through September 30, 1984. The authorization was extended through 1989 by Public Laws 99-500 and 99-591, the School Lunch and Child Nutrition Amendments of 1986.

Eligibility. Funds are made available to local health clinics through State departments of health and to Indian groups to provide supplemental foods to low-income pregnant, postpartum and breastfeeding women, infants and young children up to five years of age who are determined by competent professionals (physicians, nutritionists, nurses and other health officials) to be at nutritional risk.

Benefits. The WIC Program food packages are designed to provide foods which studies have demonstrated are lacking in the diets of the WIC Program target population. The authorized supplemental foods are iron-fortified infant formula, infant cereal, milk, cheese, eggs, iron-fortified breakfast cereal, fruit or vegetable juice which contains vitamin C, dry beans and peas, and peanut butter. In addition, WIC provides nutrition education and access to health serving as integral program benefits. In Fiscal Year 1989, program funds are expected to support an average monthly participation of at least 3.7 million participants at an average cost of \$43.41 per person per month. The number of people who can be served by the program is likely to be higher as cost containment measures, especially infant formula rebates, allow available funds to expand program coverage.

There are three general types of delivery systems for WIC foods: (1) retail purchase in which participants obtain supplemental foods through retail stores; (2) home delivery systems in which food is delivered to the participant's home; and (3) direct distribution systems in which participants pick up food from a distribution outlet. The food is free of charge to all participants.

State/Federal Responsibilities. The program is administered in a Federal/State partnership in which FNS provides cash grants to States for food and administrative expenses. States develop operating plans which, after consideration of public comment and FNS approval as required by statute and Federal regulations, define how the State will implement the program.

for the year. States then enter into written agreements with local agencies and allocate administrative money to local health care agencies and clinics where WIC programs are administered. In retail purchase States, the local clinics prescribe food packages by providing participants "food instruments" each month which the participants exchange for foods at approved retail grocery stores. The form of the food instruments varies from State to State; they may be vouchers or checks. Where food instruments are checks, they are deposited in a bank before their expiration date by the retailer. Vouchers must be submitted to a State or local WIC agency before their expiration date and the retailers are paid within 60 days of voucher submission. The States are responsible for monitoring retailers and assuring the integrity of the redemption system. Presently, over 50,000 retailers are authorized to participate in the program.

FNS provides funds for the cost of the food packages and the costs of administering the program, including nutrition education. Eighty percent of available funds are allocated to States on the basis of a funding formula which takes into consideration previous funding, benefit targeting, inflation and each state's number of income eligible persons, low weight births, and infant mortality rates. Twenty percent of the total available funds are allocated among the States for costs for nutrition services and administration associated with the WIC Program. These costs include certifying participant eligibility, food delivery and warehousing, monitoring, nutrition education, financial management, clinic operations and administration by State agencies. Not less than one-sixth of these administrative funds must be used for nutrition education activities. The Child Nutrition Act of 1978, P.L. 95-627, states that up to one-half of one percent of sums appropriated, not to exceed \$3 million, may be made available for evaluation of program performance.

State Food Cost Containment Initiatives to Expand Participation. The Commodity Distribution Reform Act and WIC Amendments of 1987, P.L. 100-237, and Rural Development, Agriculture and Related Agencies Appropriations Act of 1989, P.L. 100-460, together mandate that States examine, and implement where feasible, WIC food cost containment procedures such as competitive bidding, rebate, direct distribution or home delivery systems. Savings from these efforts are to be used to expand program participation. Further, since participation will increase administrative costs, P.L. 100-237 authorizes States to use part of the food funds saved through these cost containment measures to finance the increased costs of nutrition services and administration due to participation increases.

P.L. 100-460 requires that all States must have examined food cost containment measures by August 30, 1989. To date, nearly half of the States have already initiated cost containment programs. Significantly, several States have negotiated with infant formula manufacturing companies to secure rebates on each 13 oz. can of concentrated infant formula purchased for the WIC Program. In 1988, an average of over one million infants participated in WIC each month, consuming an average of 28 cans of infant formula per month. Since food costs per person for infants are higher on average than food costs for children and other WIC participants (in Fiscal Year 1988 over \$43.00 per month for an infant versus over \$28.00 for a child); and, since infant formula accounts for approximately one third of all WIC food costs, States receiving substantial rebates on infant formula purchases will be able to expand their participation significantly.

Prior to enactment of P.L. 100-460, the Department estimated that rebates to States for infant formula sales to WIC participants would grow to over \$200 million in Fiscal Year 1989, enabling average monthly participation to grow by over 640,000 by September 1989. That figure is expected to increase in Fiscal Year 1990. While early rebates negotiated by States were lower, recent rebates negotiated by New York State and California have been \$1.12 and \$1.32 per can, respectively (well over half the typical shelf price for a can of infant formula).

As an additional incentive to States, Public Laws 99-500, 99-591 and 100-237 permit all States to use up to one percent of their current year's funds to cover expenses from the prior year and/or the succeeding year. P.L. 100-356 permits States with approved cost containment systems to carry over up to five percent under certain conditions.

Commodity Supplemental Food Program (CSFP)

Overview of Program Development. Instituted in November, 1968 through Public Law 90-463, the Commodity Supplemental Food Program (CSFP) is now authorized by section 4(a) of the Agricultural and Consumer Protection Act of 1973, as amended in 1981 by P.L. 97-98. The elderly component of CSFP was initiated by the Agriculture and Food Act of 1981, P.L. 97-98, which provided for two pilot projects for low-income elderly persons in Polk County, Iowa and

in Detroit, Michigan. These projects began operations in September, 1982 and a third pilot project in New Orleans, Louisiana, began after authorization by P.L. 97-370, December 18, 1982. The Food Security Act of 1985, P.L. 99-198, provided that unused caseload slots for women, infants, and children could be converted to serve elderly persons beyond those participating in the original pilot project sites.

Eligibility and Benefits. This program provides supplemental foods donated and purchased by USDA to infants and children up to age six and to pregnant, postpartum and breastfeeding women and senior citizens who have low incomes and are residing in approved project areas. In Fiscal Year 1989, authorized caseload levels of 179,126 women, infants and young children and 83,108 elderly have been allocated to receive food packages each month. The foods are provided by the Department of Agriculture for distribution through State agencies. The authorized commodities are iron-fortified infant formula, rice cereal, canned juice, evaporated milk and/or nonfat dry milk, canned vegetables or fruits, canned meat or poultry, egg mix, dehydrated potatoes, farina, and peanut butter or dry beans. Elderly participants receive all commodities except iron-fortified infant formula and rice cereal. CSFP participants sometimes receive "bonus" commodities in addition to the basic food package.

When appropriate commodities are held in Commodity Credit Corporation (CCC) inventory, they may be donated by CCC without charge to the CSFP appropriation and used to fulfill part of the entitlement. Such donated commodities are referred to as "free foods". When free foods can be used, since they are not charged against the CSFP appropriation, funds can be made available for additional participants.

State/Federal Responsibilities. The CSFP is operated as a State/Federal partnership under agreements signed by State health care or agricultural agencies and the Food and Nutrition Service. The Federal government provides all commodities distributed to participants through the program. States are given 15 percent of the Federal funds appropriated to cover administrative costs. In addition, the Food Security Act of 1985 authorized additional administrative funds by extending the formula to include 15 percent of the value of additional bonus and free commodities distributed. Allowable costs include nutrition education, warehousing, food delivery, participant certification, and other costs associated with State and local administration of the program.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$44,028,000 in the appropriation (and available funds) for the Supplemental Feeding Programs (\$1,979,362,000 available in Fiscal Year 1989).

Need for Change. The increase in funds is needed to maintain the program in Fiscal Year 1990 with an adjustment for inflation from the Fiscal Year 1989 base. The requested increase reflects inflation and also the net effects of a decrease in food package costs for the Federally supported caseload due to the effects of cost containment efforts by States.

This request does not reflect the program expansions that are anticipated from cost containment initiatives, largely from infant formula rebates. More than \$200 million are expected to be available for program expansion from formula rebates. Additional funds are also expected from other State initiated projects to reduce costs, although the precise amount cannot be estimated at this time. Program expansions can occur because rebates and other initiatives will generate funds by substantially reducing the per person food costs for infants who are now the most expensive class of participants to serve. Further expansion will also be possible as the average cost per person will decline as the program expands to lower priority recipients whose food package costs are less than the current average.

Nature of Change. For Fiscal Year 1990, the Administration is proposing a joint appropriation for WIC and CSFP. The appropriation would allow funds to be allocated between the programs to maximize participation of women, infants and children.

For WIC, the average cost per person will rise from \$43.41 in Fiscal Year 1989 to \$44.06 in Fiscal Year 1990.

For CSFP, available funds will support Fiscal Year 1989 caseload levels of 179,126 women, infants and children and 83,108 elderly.

<u>Special Supplemental Food Program</u>	1989 Estimate	1990 Estimate	Change
Average Participation per month (in millions).....	3.7	3.7	0
Program Level (\$ in millions):			
Food costs	\$1,541.1	\$1,566.7	+\$25.6
State and local administrative costs	385.3	391.7	+6.4
Program evaluation projects	3.0	3.0	0
Total.....	1,929.4	1,961.4	+32.0
<u>Commodity Supplemental Food Program</u>			
Peak Participation (in thousands):			
CSFP/WIC.....	179	179	0
CSFP/Elderly.....	83	83	0
Program Level (\$ in millions):			
Food costs	\$49.3	\$49.2	-\$0.1
State and local administrative costs	7.5	9.3	+\$1.8
Special administrative costs.....	3.5	3.5	--
Total	\$60.3	\$62.0	\$1.7
Average food cost per person per month:			
Women, Infants and Children:			
Entitlement	\$19.06	\$19.50	+\$0.44
FNS funded	(17.05)	(17.44)	(+\$0.39)
Free substitute (donated)	(2.01)	(2.06)	(+\$0.05)
Bonus (donated)	4.45	4.55	+ 0.10
Average per person total commodities ...	\$23.51	\$24.05	+\$0.54
Elderly:			
Entitlement	\$15.13	\$15.48	+\$0.35
FNS funded	(11.81)	(12.08)	(+\$0.27)
Free substitute (donated)	(3.32)	(3.40)	(+\$0.08)
Bonus (donated)	6.01	6.15	+ 0.14
Average per person total commodities ...	\$21.14	\$21.63	+ 0.49

SUPPLEMENTAL FEEDING PROGRAMS

Summary of Proposed Legislation

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

<u>Item of Change</u>	1990		
	Current Law	Program Changes	President's Request
1. Special Supplemental Food Program (WIC):			
(a) Grants to States for supplemental food	\$1,566,689,600	-\$1,600,000	\$1,565,089,600
(b) Costs for nutrition services and administration	391,672,400	-400,000	391,272,400
(c) Program evaluation projects	3,000,000	+2,000,000	5,000,000
Subtotal, WIC	<u>1,961,362,000</u>	<u>--</u>	<u>1,961,362,000</u>

Explanation of Proposed Legislation

A \$2 million increase in funding for studies above the legislated cap of \$3 million is needed to support the longitudinal study of the effects of WIC program participation on growth, hematologic status and cognition of children. This WIC Child Impact Study is estimated to cost \$10 million over a five year period. The current statutory maximum of \$3 million is needed to support essential Congressionally mandated WIC studies: the WIC/Medicaid costs study and the administrative costs study. The participant characteristics study, the WIC/Medicaid study and a major study of the WIC vendor system to identify areas of weakness and to support initiatives for improvement, will require over \$2.2 million in 1990. Finally, in a joint effort with the Department of Health and Human Services and other Federal Agencies, FNS will contribute to a follow-up study of WIC participants which is part of the National Maternal and Infant Health Survey.

FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Food Stamp Program:

- For necessary expenses to carry out the Food Stamp Act (7 U.S.C. 2011-2027, [2028], 2029), [\$13,598,955,000] \$13,263,485,000: Provided, That funds provided herein shall remain available through September 30, [1989] 1990, in accordance with section 18(a) of the Food Stamp Act: Provided further, That up to 5 per centum of the foregoing amount may be placed in reserve to be apportioned pursuant to section 3679 of the Revised Statutes, as amended, for use only in such amounts and at such times as may become necessary to carry out program operations: Provided further, That funds provided herein shall be expended in accordance with section 16 of the Food Stamp Act: [Provided further, That this appropriation shall be subject to any work registration or work fare requirements as may be required by law: Provided further, That \$345,000,000 of the funds provided herein shall be available only to the extent necessary after the Secretary has employed the regulatory and administrative methods available to him under the law to curtail fraud, waste, and abuse in the program: Provided further, That \$10,000,000 of the funds provided herein shall be available for the purchase of equipment to improve the processing of food coupons: Provided further, That \$908,250,000 of the foregoing amount shall be available for Nutrition Assistance for Puerto Rico as authorized by 7 U.S.C. 2028.] Provided further, That \$30,000,000 of the funds provided herein shall be the maximum amount to which States may become entitled for Federal matching of State Employment and Training program administrative expenditures, as authorized by section 16(h)(2) of the Food Stamp Act.

The first change deletes the language pertaining to the authorizing legislation for Nutrition Assistance for Puerto Rico. Reestablishing a separate account for this program makes this language unnecessary.

The second change deletes language applicable to Fiscal Year 1989 and inserts Fiscal Year 1990 language.

The third change deletes provisions previously incorporated in appropriations language which are no longer necessary.

The fourth change limits the amount of funding available to States for matching administrative expenses in the Employment and Training Program.

FOOD STAMP PROGRAM - CURRENT LAW

Appropriations Act, 1989	\$12,690,705,000
Budget Estimate, 1990	<u>13,263,485,000</u>
Increase in Appropriation	<u>+572,780,000</u>

FOOD STAMP PROGRAM - PROPOSED LEGISLATION

Budget Estimate, Current Law	\$13,263,485,000
Change Due to Proposed Legislation	<u>-79,921,000</u>
Net Request, President's 1990 Budget Request	<u>\$13,183,564,000</u>

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
<u>Benefits:</u>			
Correct benefits	\$10,615,014,000	+\$569,047,000	\$11,184,061,000
Erroneous benefits	<u>823,579,000</u>	<u>+34,033,000</u>	<u>857,612,000</u>
Total, Benefits Costs	11,438,593,000	+603,080,000	12,041,673,000
<u>Administrative costs:</u>			
<u>Payments to States</u>			
State administration	1,073,193,000	+50,440,000	1,123,633,000
Employment and training ..	<u>120,028,000</u>	<u>+28,252,000</u>	<u>148,280,000</u>
Subtotal, Payments to States	1,193,221,000	+78,692,000	1,271,913,000
<u>Other program costs:</u>			
Printing of stamps	17,593,000	+880,000	18,473,000
Shipment of stamps	2,830,000	+102,000	2,932,000
Processing redeemed stamps	24,180,000	-9,490,000	14,690,000
Computer support systems	3,126,000	+115,000	3,241,000
Certification of SSI recipients for food stamps	2,455,000	+88,000	2,543,000
Printing redemption certificates.....	140,000	+5,000	145,000
Bank monitoring system..	254,000	+9,000	263,000
Printing other than stamps	698,000	+25,000	723,000
Research, evaluation and demonstration projects	7,450,000	+268,000	7,718,000
State exchange projects.	<u>165,000</u>	<u>+6,000</u>	<u>171,000</u>
Subtotal, Other program costs	58,891,000	-7,992,000	50,899,000
Total, Administrative costs ..	<u>1,252,112,000</u>	<u>+70,700,000</u>	<u>1,322,812,000</u>
<u>Collections:</u>			
State error liability	--	-101,000,000	-101,000,000
Total, Appropriation	<u>12,690,705,000</u>	<u>+572,780,000</u>	<u>13,263,485,000</u>

PROJECT STATEMENT - CURRENT LAW
(On basis of adjusted appropriation)

Project	1988 Actual	1989 Estimated	Increase or Decrease	1990 Estimated
Benefits:				
Correct benefits	\$10,316,060,783	\$10,615,014,000	+\$569,047,000	\$11,184,061,000
Erroneous benefits	824,393,627	823,579,000	+34,033,000	857,612,000
Total, Benefits costs	11,140,454,410	11,438,593,000	+603,080,000(1)	12,041,673,000
Administrative costs:				
State administration.....	1,050,345,679	1,073,193,000	+50,440,000(2)	1,123,633,000
Employment and Training ...	101,060,278	120,028,000	+28,252,000(3)	148,280,000
Other program costs:				
Printing of stamps	17,671,163	17,593,000	+880,000	18,473,000
Shipment of stamps	2,222,087	2,830,000	+102,000	2,932,000
Processing redeemed stamps	13,661,000	24,180,000	-9,490,000	14,690,000
Computer support systems	2,570,000	3,126,000	+115,000	3,241,000
Certification of SSI recipients for food stamps	2,365,000	2,455,000	+88,000	2,543,000
Printing redemption certificates	122,000	140,000	+5,000	145,000
Bank monitoring system ...	236,200	254,000	+9,000	263,000
Printing other than stamps	134,749	698,000	+25,000	723,000
Research, evaluation and demonstration projects	7,328,205	7,450,000	+268,000	7,718,000
State exchange projects ..	156,676	165,000	+6,000	171,000
Subtotal, Other program costs	46,467,080	58,891,000	-7,992,000(4)	50,899,000
Total, Administrative costs ..	1,197,873,037	1,252,112,000	+70,700,000	1,322,812,000
Total, Obligations	12,338,327,447	12,690,705,000	+673,780,000	13,364,485,000
Unobligated balances:				
Lapsing	300,552,553	--	--	--
State error liability collections	--	--	-101,000,000(5)	-101,000,000
Total, Available	12,638,880,000	12,690,705,000	+572,780,000	13,263,485,000
Transfers to:				
Extension Service	39,627,000	--	--	--
Total, Appropriation.....	12,678,507,000	12,690,705,000	+572,780,000	13,263,485,000
Proposed Legislation				-79,921,000
President's Budget.....				13,183,564,000

a/ Includes 6 staff-years in Fiscal Year 1988 for quality control studies.

EXPLANATION OF PROGRAM

Overview of Program Development. The Food Stamp Program, which is authorized through September 30, 1990, by the Food Security Act of 1985, (P.L. 99-198) helps individuals and families with low incomes to obtain a more nutritious diet.

The Program was initiated on a pilot basis in 1961 and established as a permanent program in 1964. The Food Stamp Program enables low-income households to obtain better diets by augmenting the funds they have to spend on food with food stamps usable to purchase food

items at most food stores. The Food Stamp Program evolved from the commodity distribution to needy families program established in 1936. Commodities purchased for farm assistance purposes were made available for distribution to needy individuals through various Federal, State, and local welfare organizations. In 1961, the basic emphasis of commodity donations changed significantly when an Executive Order expanded the program's objectives from removing surpluses to also encompass raising the quantity and improving the quality of foods distributed. Beginning in that year a food stamp pilot project was undertaken in a number of States which showed that domestic agriculture benefited from the increased purchasing power available to low-income households.

The Food Stamp Act of 1964 mandated a permanent, nationwide Food Stamp Program to supplant commodity distribution. The program was implemented in most counties by 1969, although it was not until fiscal year 1975 that the Food Stamp Program became available in all counties nationally.

Legislation

Food Stamp Program operations were affected by seven legislative actions which were approved in Fiscal Year 1988.

- o P.L. 100-175, Older Americans Act Amendments of 1987 (November 29, 1987), excluded as income for food stamp purposes, funds received by individuals under the Community Service Employment Program.
- o P.L. 100-203, Omnibus Budget Reconciliation Act of 1987 (December 22, 1987), authorized Washington State, with USDA's approval, to conduct a demonstration project cashing out and standardizing the food stamp benefits of its AFDC households.
- o P.L. 100-232, Charitable Assistance and Food Bank Act of 1987 (January 5, 1988), excluded as income for food stamp purposes, charitable contributions from private nonprofit organizations of \$300 a quarter.
- o P.L. 100-241, Alaska Native Claims Settlement Act Amendments of 1987 (February 3, 1988), excluded as income and resources for food stamp purposes, cash, stock, partnership interest, land or interest in a settlement trust if received from a Native Corporation.
- o P.L. 100-383, Wartime Relocation of Citizens (August 10, 1988), excluded as income and resources for food stamp purposes, the funds provided under this law to certain U.S. citizens of Japanese ancestry and resident Japanese aliens and Aleuts.
- o P.L. 100-387, Disaster Assistance Act of 1988 (August 11, 1988), excluded as income for food stamp purposes, emergency assistance for migrants or seasonal farm workers provided while they are in the job stream if the assistance is provided in the form of vendor payments. This Act also exempted migrants and seasonal farm workers from proration of benefits for breaks in certification of 30 days or less.
- o P.L. 100-435, the Hunger Prevention Act of 1988 (September 19, 1988), contained a number of food stamp provisions. The Act:
 - raised maximum allotments to 100.65 percent of the Thrifty Food Plan for the preceding June for Fiscal Year 1989, 102.05 percent for Fiscal Year 1990 and 103 percent for Fiscal Year 1991 and thereafter;
 - eliminated the expiration of categorical eligibility provisions scheduled for September 30, 1989;
 - required prospective budgeting for households not required to report monthly and retrospective budgeting for households reporting monthly (except for the first or, at State agency option, the second month);
 - permitted State agencies to require periodic reporting, except for migrant workers, seasonal farm workers, the homeless, and elderly and disabled households with no earnings;
 - required that eligible households applying after the 15th of the month receive one combined allotment for the initial month and first subsequent month;

- repealed the rule that required first full month's issuance by the 8th calendar day for households applying after the 15th of the preceding month;
- authorized 50 percent Federal funding for optional food stamp information activities;
- made permanent the amendment in the Homeless Eligibility Clarification Act that exempts residents of shelters from ineligibility as residents of institutions;
- provided for the Secretary's approval of deviations from USDA application forms if State forms are easy to use, brief and readable; directed the Secretary of Agriculture, in consultation with the Secretary of Health and Human Services (HHS), to develop a program of assistance to States for making brief, simply written and readable application forms for food stamps, Aid to Families with Dependent Children (AFDC) and Medicaid; required that applications contain a description of expedited processing requirements and information that benefits are provided only from the day of application;
- required State agencies to provide applicants a clear written statement about the verification process and needed documentation and to assist applicants in obtaining verification and completing the application process; prohibited State agencies from requiring additional verification on currently verified information unless information is believed to be inaccurate, incomplete or inconsistent; prohibited denying applications solely on basis of failure to cooperate by someone outside of the household, but in any event, required verification of mandatory items;
- required State agencies finding improper denials, terminations or underissuances to restore benefits and take action to prevent similar errors;
- permitted State agencies to provide intensive training for personnel certifying households with a member who is engaged in farming; required the Secretary to publish instructional materials on certifying farm households by March 18, 1989 and annually thereafter;
- required State agencies to provide for prompt and accurate certification; provided States the option to provide training and assistance to volunteer or nonprofit organization staff who provide program information and eligibility screening for potential eligibles;
- required States to provide at each certification and recertification a statement of reporting responsibilities and toll free, local or collect phone numbers for reaching appropriate State agency representatives;
- provided for waiving office interviews, if all household members who are elderly or handicapped, live in a location not served by a certification office, or have transportation difficulties or similar hardship, and permitted telephone interviews or home visits instead;
- excluded cash income that would be normally received in-kind, but was converted to cash as part of a federally authorized demonstration project;
- gave households with irregular expenses related to farming the option to have those expenses and the farm income averaged over 12 months;
- required the Secretary to exclude as resources the value of farm land, equipment and supplies for a period of one year after a household member ceases to be self employed in farming;
- clarified that the income exclusion is for any governmental payment or allowance for the purpose of providing energy assistance;
- authorized the Secretary to impose a civil money penalty of up to \$20,000 on retail food shops or wholesale food concerns in lieu of permanent disqualification for food stamp trafficking violations where there is substantial evidence that a store had an effective policy and program in effect to prevent violations;

- extended disabled status to recipients of interim assistance pending receipt of Social Security Income (SSI), disability related medical assistance under Title XIX of the Social Security Act, or disability based State general assistance if the disability or blindness criteria are at least as stringent as those in Title XVI of the Social Security Act;
- required State agencies to develop a method for households to claim the medical deduction for recurring medical expenses without monthly verification after initial verification to ease the administrative burden on elderly and disabled households with such expenses who choose the optional method;
- required State agencies to implement two joint processing provisions that have been optional: inclusion of the FSP application in the public assistance (PA) application for pure PA households and, to the extent PA case files are reasonably verified, certify FSP applicants with PA case files for the FSP;
- required that AFDC applicants be notified that they may file a food stamp application along with their AFDC application and have a single FSP/AFDC interview;
- excluded as income Earned Income Tax Credit payments received in advance;
- revised the dependent care deduction to \$160 per month for each dependent excluding costs paid by Employment and Training (E&T); provided an income exclusion for payments for work related expenses or dependent care under E&T;
- permitted States to approve other E&T components in accordance with regulations and added as an E&T component educational programs/activities to improve basic skills or otherwise improve employability or expand job search capabilities;
- required State agencies to have a conciliation process for resolving disputes over E&T participation;
- prohibited funds for E&T activities from supplanting non-Federal funds;
- required State agencies to pay or reimburse participants for the actual cost of (1) transportation and other costs up to \$25 a month or higher at State agency option and (2) dependent care up to \$160 per month per dependent except for AFDC recipients in areas which have AFDC employment and training or education programs or had them upon enactment; the State agency may arrange for dependent care through service contracts or vouchers; the value of such dependent care may not be treated as income for any Federal needs-based program and may not be claimed as an employment related expense under the Dependent Care Tax Credit;
- exempted recipients from employment and training program participation whose dependent care will exceed \$160 a month per dependent;
- limited performance standards to placement of 50 percent of eligible caseload until implementation of new standards;
- required the Secretary to establish performance standards (after consultation with Office of Technology Assessment (OTA), Labor, HHS, State officials, other experts and representatives of participating households that are coordinated with Job Training Partnership Act (JTPA) and AFDC standards, measure employment outcomes, and are based on the degree of success that may be reasonably expected of States in helping individuals achieve self sufficiency; the performance standards shall take into account volunteer participants, placement rates, wage rates, retention rates, reductions in food stamp caseload and educational improvements and shall encourage serving households with greater barriers to employment; variation from standards is permitted for differing conditions; the proposed and final performance standards must be published and implemented by April 1, 1991; requires OTA to develop model performance standards and report to the Congress and the Secretary comparing their performance standards with the Department's proposed standards 180 days after proposed regulations are published;

- required the Secretary to develop and transmit to the House and Senate Agriculture committees a proposal to tie E&T funding to the relative effectiveness of the States' activities;
- provided an income exclusion for AFDC employment, training or education program reimbursements for dependent care or other expenses if the program is initiated after the date of enactment;
- required 50 percent Federal funding for State E&T reimbursements/payments for dependent care, transportation and other costs;
- permitted one or more pilot projects to test whether the use of intelligent benefit cards or other automated or electronic benefit delivery systems can enhance the efficiency and effectiveness of program operations for both program administrators and recipients; intelligent benefit cards are required to include information on an individual's eligibility and benefits;
- authorized the Secretary to conduct a study comparing E&T program participants and appropriate control groups using factors of employment, income and receipt of food stamps and other assistance payments; to the maximum extent possible, data is to be collected for three years after E&T participation ends and yield results that can be generalized to the national E&T program; the study results are to be considered in developing/updating performance standards;
- provided that the Secretary must consider a State agency's new dollar investment to improve administration and reduce future errors when deciding whether to settle, adjust or waive error rate claims;
- required a State agency which fails to pay an error rate liability claim within 30 days of receiving the bill to pay interest from the day of receipt; if the claim is appealed, the interest starts to accrue on the date of the decision on the appeal or from a date two years after the bill is first received -- whichever comes first; if a State agency pays a claim and wins on appeal, the payment will be returned with interest from the date of the payment;
- provided for an administrative review process using administrative law judges for error rate liability claims; stipulated that all decisions by the Secretary concerning whether a State agency had good cause for its failure to meet error rate tolerance levels are final; allowed the Secretary, at his discretion, to provide a summary procedure for determining claims under \$50,000;
- deleted the trial de novo requirement for judicial reviews of error rate liability claims;
- provided for enhanced funding of State agencies' administrative costs by one percentage point up to 60 percent for each full one-tenth of one percent a State agency's payment error rate (the sum of the rates of over and underpayment) falls below six percent, as long as a ceiling for invalid denials is not exceeded; States not receiving enhanced funding must develop and implement corrective action plans to reduce payment errors; if a State agency's payment error rate exceeds the tolerance rate, the State agency must pay the Secretary the difference between its payment error rate and the tolerance rate times its annual issuance; errors resulting from a change of regulations within 60 days -- or at the Secretary's option, 90 days -- will not be counted as payment errors; nor will errors resulting from correctly processed data from Federal agencies or written policy disseminated by the USDA; State agencies must provide data necessary for the determination of payment error rates or USDA will use pertinent information that is available; the Secretary will publish a national performance measure as a sum of State payment error rates weighted by allotments; the national performance measure will be used to establish a payment error tolerance level, which will be one percentage point above the lowest national performance measure ever achieved;
- required the Secretary to study the feasibility of including improper denial and terminations in the payment error rate and report to Congress by July 1, 1990 and the effectiveness of the payment improvement system and report to Congress with recommendations by September 19, 1991;

- provided that, generally, provisions are effective and to be implemented on October 1, 1988, except: EITC exclusion on January 1, 1989; benefits for households subject to proration on January 1, 1989, implemented by January 1, 1990; program information activity and administrative improvements and E&T payments/reimbursements incentive payment proposal would be effective and implemented July 1, 1989; payment accuracy system changes were made retroactive to October 1, 1985, except incentive funding and exclusion of non-fault errors, which are effective October 1, 1988;

- provided that a sequestration under Gramm-Rudman-Hollings would result in a reduction in the Thrifty Food Plan adjustments to equal \$110 million times the percentage reduction ordered for domestic programs;

Eligibility and Benefits. Eligible participants are entitled to food stamp allotments based on their household size and net income after certain deductions. The food stamps increase the food purchasing power of eligible households and thus enable them to attain a better diet than would have been possible without the assistance of the Food Stamp Program.

Benefit Costs. The Food Stamp Program is currently in operation in all 50 States, the District of Columbia, the Virgin Islands and Guam. The cost of the stamps is paid by the Federal Government and is called "benefit" costs. As required by law, the food stamp allotments for the various household sizes are periodically revised to reflect changes in the cost of the Thrifty Food Plan. The last revision was made on October 1, 1988. The maximum benefit in Fiscal Year 1989 for a family of four is 100.65 percent of the value of the Thrifty Food Plan or \$300. In Fiscal Year 1989 the overpayment error rate is expected to be 7.2 percent of total benefit costs. It is anticipated that this rate will decline to 7.0 percent in Fiscal Year 1990.

In Fiscal Year 1989, an average of 18.3 million persons are expected to participate in the program monthly and receive stamps worth an average of \$52.03 per person per month to supplement their existing income for the purchase of food.

State Administration. Since October 1, 1974, all direct and indirect administrative costs incurred for certification of nonpublic assistance households, issuance of food stamps, quality control and fair hearing efforts have been shared by the Federal Government and the States on a 50-50 basis. Federal funding for 75 percent of automation costs incurred by State agencies is authorized by law. The Hunger Prevention Act of 1988 (P.L. 100-435) revised the incentive system for States with low error rates. The normal 50 percent Federal share of State administrative costs can be increased up to a maximum of 60 percent, depending on the extent to which the State's error rate falls below 6 percent, provided they also meet a standard for the rate of improper denials or terminations set by the Secretary.

The Hunger Prevention Act of 1988 altered the assessment of liabilities for States with excessive errors. State agencies are held liable when their rate of overissuances and payments to ineligible households plus their rate for underissuance exceeds the lowest ever achieved National error rate average plus one percent. Liabilities are based on the level of State issuance.

State administration also includes State anti-fraud activities. Under the provisions of the Food Stamp Act of 1977, as amended, States are eligible to be reimbursed for not less than 75 percent of the costs of their food stamp fraud investigations and prosecutions. Of the funds appropriated for State administration, \$65.7 million has been budgeted to cover State anti-fraud activities in Fiscal Year 1989.

Employment and Training Program. States are required to implement an employment and training program for the purpose of assisting members of households participating in the Food Stamp Program in gaining skills, training or experience that will increase their ability to obtain regular employment. In Fiscal Year 1989, the Department of Agriculture will provide the authorized basic level and matching funds for participant reimbursements and State administrative costs to assist States in providing employment and training services.

Other Program Costs. In addition to State administrative and employment and training expenses, other program costs borne by the Federal Government include:

- (1) The printing and transporting of stamps to authorized State agencies;

- (2) Processing and destruction of redeemed stamps by Federal Reserve Banks;
- (3) The computer support systems;
- (4) The cost of certifying SSI/Social Security recipients for participation in the Food Stamp Program by the district offices of the Social Security Administration;
- (5) The printing of food stamp redemption certificates;
- (6) The bank monitoring system;
- (7) Printed materials other than stamps to help families living in poverty or near poverty to achieve adequate diets;
- (8) The cost of research, evaluation and demonstration projects authorized under Section 17 of the Food Stamp Act of 1977; and
- (9) As a part of continuing management improvement initiatives, funds are used to promote the sharing of information between State agencies through State exchange funds.

State/Federal Responsibilities. The Food Stamp Program is a Federal-State partnership in which the States administer the program at the service delivery level. Households apply for food stamps at their local State welfare offices. State workers use uniform nationwide rules promulgated by the Food and Nutrition Service (FNS) to determine and certify which households are eligible, to calculate the size of each household's allotment, and to monitor and recertify recipient eligibility. Food stamps are typically dispensed on a monthly basis through local banks or the mail. In Fiscal Year 1989 States will receive \$1.1 billion in Federal funds to defray State administrative costs.

The Food Security Act of 1985 requires that each state have an Employment and Training (E&T) program to help able-bodied individuals in food stamp households gain skills and experience that will help them obtain regular employment.

The Quality Control System encourages payment accuracy by establishing fiscal incentives based on State performance in benefit determinations. State agencies with high error rates are assessed liabilities, while enhanced administrative funding is provided to States with low error rates.

FNS funds 100 percent of the cost of food stamps redeemed. FNS also funds over 50 percent of State administrative costs for the program. FNS is responsible for certifying and monitoring banks and stores participating in the program. About 230,000 stores are authorized to redeem food stamps. After recipients use their food stamps to purchase food at stores, the stores redeem the stamps at banks. The banks, in turn, redeem the stamps at their regional Federal Reserve Bank, and the Federal Reserve Bank seeks reimbursement from the FNS appropriation directly from the U.S. Treasury.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$603,080,000 in the appropriation for Benefit Costs (\$11,438,593,000 available in 1989) consisting of:
 - (a) An increase of \$569,047,000 for properly issued benefits (\$10,615,014,000 available in 1989).

Need for Change. For Fiscal Year 1990, the scheduled increase in the value of the Thrifty Food Plan (TFP), as well as the increase in the maximum benefit level to 102.05 percent of the TFP, will result in an increase in benefits for all households. Program participation is expected to decrease slightly from 18.3 million in Fiscal Year 1989 to 18.1 million in Fiscal Year 1990.

Nature of Change. A comparison of key program workload and cost indicators for Fiscal Years 1988 through 1990 is presented below:

	<u>FY 1988 Actual</u>	<u>FY 1989 Estimate</u>	<u>FY 1990 Estimate</u>
Average participation (000)	18,660	18,308	18,125
Average unemployment rate (percent)	5.65	5.35	5.20
Thrifty Food Plan	\$290.00	\$300.00	\$315.00
Average benefit per person per month	\$50.04	\$52.03	\$55.36

- (b) An increase of \$34,033,000 for erroneous benefits (\$823,579,000 available in 1989).

Need for change. The error rate, which will be applied to a higher base level each year as a result of increases in the maximum benefit value, is projected to decline from 7.20 percent in Fiscal Year 1989 to 7.00 percent in Fiscal Year 1990.

Nature of change. A comparison of error rates and erroneous benefits follows:

	<u>FY 1988</u>	<u>FY 1989 Estimate</u>	<u>FY 1990 Estimate</u>
Amount of erroneous benefits (\$ millions)	\$824	\$824	\$858
Error rate	.0740	.0720	.0700

- (2) An increase of \$50,440,000 in the appropriation for State Administrative Costs (\$1,073,193,000 available in 1989).

Need for Change. Based on the most recent economic projections, moderate rates of inflation between 1989 and 1990 are expected to increase the cost of providing food stamp benefits.

Nature of Change. This increase reflects the application of a projected rate of inflation of 4.7 percent to the Fiscal Year 1989 base level for costs shared by State and local agencies and the Federal Government.

- (3) An increase of \$28,252,000 in the appropriation for the Employment and Training Program (\$120,028,000 available in 1989).

Need for Change. The increase of \$28,252,000 is necessary to provide for the matching funds for participant reimbursements and State administrative costs to carry out the Employment and Training Program.

Nature of Change. Public Law 99-195 mandates the Secretary to allocate funds among the States to carry out the Employment and Training Program. This level of funding will enable the Department to provide States \$75 million authorized for the basic level and additional matching funds for participant reimbursement and State administrative costs to assist them in providing employment and training services. Appropriation language has been proposed to limit State entitlement to matching funds for Employment and Training administration to \$30 million.

- (4) A net decrease of \$7,992,000 in the appropriation for Other Program Costs (\$58,891,000 available in Fiscal Year 1989) consisting of:

- (a) An increase of \$880,000 in the appropriation for the printing of stamps (\$17,593,000 available in Fiscal Year 1989).
- (b) An increase of \$102,000 in the appropriation for the shipping of stamps (\$2,830,000 available in Fiscal Year 1989).
- (c) A decrease of \$9,490,000 in the appropriation for the processing of redeemed stamps (\$24,180,000 available in Fiscal Year 1989). Fiscal Year 1989 includes a

one time \$10,000,000 investment in modernization of the food coupon redemption system.

- (d) An increase of \$115,000 in the appropriation for the cost of computer support systems (\$3,126,000 available in Fiscal Year 1989).
- (e) An increase of \$88,000 in the appropriation for the cost of certification of Supplemental Security Income recipients for food stamps (\$2,455,000 available in Fiscal Year 1989).
- (f) An increase of \$5,000 in the appropriation for the cost of printing redemption certificates (\$140,000 available in Fiscal Year 1989).
- (g) An increase of \$9,000 in the appropriation for the cost of the bank monitoring system (\$254,000 available in Fiscal Year 1989).
- (h) An increase of \$25,000 in the appropriation for printing other than stamps (\$698,000 available in Fiscal Year 1989).
- (i) An increase of \$268,000 in the appropriation for research, evaluation and demonstration projects (\$7,450,000 available in Fiscal Year 1989).
- (j) An increase of \$6,000 in the appropriation for State exchange projects (\$165,000 available in Fiscal Year 1989).

Need for Change. Increases in other program costs are attributed to the moderate rates of inflation projected between 1989 and 1990.

- (5) A decrease of \$101,000,000 resulting from collections for State error liabilities.

FOOD STAMP PROGRAM
Summary of Proposed Legislation

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

		1990	
	Current Law	Program Change	President's Request
Benefits	\$12,041,673,000	--	\$12,041,673,000
Administrative Costs	1,322,812,000	-\$79,921,000	1,242,891,000
State Error Liability Collections ..	-101,000,000	--	-101,000,000
Total available	<u>\$13,263,485,000</u>	<u>-\$79,921,000</u>	<u>\$13,183,564,000</u>

Explanation of Proposed Legislation

State Administrative Funding: This proposal would freeze Federal funding of each State's administrative costs in Fiscal Year 1990 at a maximum level equal to the Federal cost in Fiscal Year 1989, excluding expenses for certain special matches. The maximum Federal reimbursement level will increase in subsequent years by the growth in the GNP implicit price deflator. In addition, Federal matching of State costs for fraud investigations and prosecutions and for the development of ADP systems will be reduced from the enhanced rate to 50 percent. This proposal will save \$79,921,000 in Fiscal Year 1990.

FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored):

Nutrition Assistance for Puerto Rico:

For monthly payments to the Commonwealth of Puerto Rico for nutrition assistance, as authorized by 7 U.S.C. 2028, \$825,000,000.

This change provides a separate appropriation for Nutrition Assistance for Puerto Rico. Comparable language was deleted from the appropriation for the Food Stamp Program.

NUTRITION ASSISTANCE FOR PUERTO RICO

Appropriations Act, 1989.....	\$908,250,000
Budget Estimate, 1990.....	825,000,000
Decrease in Appropriation.....	<u>-83,250,000</u>

SUMMARY OF DECREASES
(On basis of appropriation)

Item of Change	1989 Estimated	Program Change	1990 Estimated
Nutrition Assistance for Puerto Rico.....	<u>\$908,250,000</u>	<u>-\$83,250,000</u>	<u>\$825,000,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	: 1988 Actual	: 1989 Estimated	: Decrease	: 1990 Estimated
Nutrition Assistance for Puerto Rico.....	\$ 879,250,000	\$ 908,250,000	-\$83,250,000	\$825,000,000

EXPLANATION OF PROGRAM

Overview of Program Development. Authorized by section 116(a) of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35), a grant for nutrition assistance to Puerto Rico was implemented July 1, 1982. The Food Security Act of 1985 (P.L. 99-198), enacted December 23, 1985, reauthorized appropriations through Fiscal Year 1990.

Eligibility. This grant, which replaced the Food Stamp Program in Puerto Rico, gives the Commonwealth broad flexibility to establish a food assistance program that is specifically tailored to the needs of its low-income households. In Fiscal Year 1989, Puerto Rico will continue its system of providing cash benefits to households which meet eligibility standards of the Nutrition Assistance Program. These eligibility standards are similar to those of the Food Stamp Program.

Benefits. In addition to the provision of direct benefits to the needy, a portion of the grant may be used to fund up to 50 percent of the costs of administering the program. The grant may also be used to fund projects to improve agriculture and food distribution in Puerto Rico. One project related to tick eradication was funded during Fiscal Year 1988 and it will continue to be funded during Fiscal Year 1989.

State/Federal Responsibilities. The Commonwealth must submit its annual plan of operation to the Secretary for approval. The Food and Nutrition Service provides a grant award to the Commonwealth to operate the Program in accordance with its approved plan. The grant is intended to cover 100 percent of the cost of program benefits, 50 percent of the cost of administrative expenses and support for approved special projects.

JUSTIFICATION OF DECREASES

- (1) A decrease of \$83,250,000 in the appropriation for Nutrition Assistance for Puerto Rico (\$908,250,000 available in 1989).

This decrease assumes that the Commonwealth of Puerto Rico would use the flexibility afforded by the grant to tailor eligibility standards and/or benefit levels to stay within the funding level of \$825 million.

FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

[Food Donations Programs] Cash and Commodities for Selected Groups:

For necessary expenses to carry out section 4(a) of the Agriculture and Consumer Protection Act of 1973 (7 U.S.C. 612c (note)), section 4(b) of the Food Stamp Act (7 U.S.C. 2013), and section 311 of the Older Americans Act of 1965, as amended (42 U.S.C. 3030(a)), [\$199,147,000] \$206,510,624.

For necessary expenses to carry out section 110 of the Hunger Prevention Act of 1988 [(S. 2560)], \$40,000,000.

CASH AND COMMODITIES FOR SELECTED GROUPS

Appropriations Act, 1989	\$239,147,000
Budget Estimate, 1990	<u>246,510,000</u>
Increase in Appropriation	<u>+7,363,000</u>

SUMMARY OF INCREASES
(On basis of appropriation)

Item of Change	1989 Estimated	Program Changes	1990 Estimated
Food Distribution Program on Indian Reservations:			
Commodities-in-lieu of food stamps.....	\$41,758,043	+\$2,375,083	\$44,133,126
Payments to distributing agencies for administrative costs	<u>16,095,957</u>	<u>+749,917</u>	<u>16,845,874</u>
Total, Food Distribution Program on Indian Reservations.....	57,854,000	+3,125,000	60,979,000
Nutrition Program for the Elderly.....	141,293,000	+4,238,000	145,531,000
Commodities for Soup Kitchens	<u>40,000,000</u>	--	<u>40,000,000</u>
Total Available.....	<u>239,147,000</u>	<u>+7,363,000</u>	<u>246,510,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1988 Actual	1989 Estimated	Increase	1990 Estimated
1. Food Distribution Program on Indian Reservations:				
Commodities in lieu of food stamps	\$40,736,091	\$41,758,043	+\$2,375,083	\$44,133,126
Payments to distributing agencies for administration	<u>14,944,185</u>	<u>16,095,957</u>	<u>+749,917</u>	<u>16,845,874</u>
Subtotal, Food Distribution Program on Indian Reservations.....	55,680,276	57,854,000	+3,125,000(1)	60,979,000
2. Nutrition Program for the Elderly:				
Commodities	7,960,106	9,219,706	+239,842	9,459,548
Cash in Lieu of commodities	<u>129,598,739</u>	<u>132,073,294</u>	<u>+3,998,158</u>	<u>136,071,452</u>
Subtotal, Nutrition Program for the Elderly	137,558,845	141,293,000	+4,238,000(2)	145,531,000
3. Commodities for Soup Kitchens	--	40,000,000	--	40,000,000
Total Obligations	193,239,121	239,147,000	+7,363,000	246,510,000
Unobligated balance lapsing:	<u>868,879</u>	--	--	--
Total Appropriation	<u>194,108,000</u>	<u>239,147,000</u>	<u>+7,363,000</u>	<u>246,510,000</u>

EXPLANATION OF PROGRAM

Cash and Commodities for Selected Groups includes funds for: the Food Distribution Program on Indian Reservations (FDPIR); the continuation of food assistance to residents of the Freely Associated States (Federated States of Micronesia and the Marshall Islands) and the Republic of Palau; the Nutrition Program for the Elderly; and commodity purchases for soup kitchens and food banks authorized by the Hunger Prevention Act of 1988 (Public Law 100-435).

Food Distribution Programs on Indian Reservations (FDPIR).

Overview of Program Development. The Food and Agriculture Act of 1977 authorized the distribution of agricultural commodities to eligible needy persons residing on or near Indian reservations or in the Pacific Islands. FDPIR was provided as an alternative to the Food Stamp Program for Indian households in rural areas where the Food Stamp Program was not available or where food stores are inconvenient. The Act requires that a food distribution program be established on an Indian reservation if an Indian Tribal Organization (ITO) requests the program. If the ITO is capable of administering the program, it may do so in lieu of administration by a State agency. P.L. 97-98 authorized low-income Indian households residing in Oklahoma to participate in the program.

The Compact of Free Association Act of 1985 (P.L. 99-239) as amended by the Palau Compact of Free Association Act (P.L. 99-658) terminated the Trusteeship Agreement with the Federated States of Micronesia and the Marshall Islands and established them as Freely Associated States. For transition purposes, food assistance will continue in Fiscal Year 1989 but at reduced levels, except in the nuclear affected zones of Bikini and Enewetak, as prescribed by these laws. Food assistance for Palau will continue at normal levels until a compact is in effect for that area. Beginning in Fiscal Year 1988 the Department began to provide assistance to the Pacific Islands in the form of cash.

Eligibility and Benefits. Household eligibility for FDPIR is determined by income and resources in a manner similar to that used for Food Stamp Program eligibility. Recipients must reside on a participating reservation, reside near such a reservation, or reside in Oklahoma. In areas where both FDPIR and Food Stamps are available, no household may participate simultaneously in both programs, although they may switch from one program to the other.

In Fiscal Year 1989 participation in the Food Distribution Program on Indian Reservations is expected to average about 137 thousand per month. It is estimated that 520 residents of the Pacific Islands will receive food assistance each month in FY 1989.

The foods made available to the distributing agencies include canned meats and fish, fruit, vegetables and juice, flour, rice, pasta, cornmeal, dairy products, honey, cereal, oil and shortening. To the extent that surplus price-support commodities are available and can be used without waste, the Commodity Credit Corporation (CCC) donates them for use in this program. In Fiscal Year 1989 the value of the food package distributed on Indian reservations will average about \$31.63 per person per month, including \$6.07 worth of commodities donated by CCC.

State/Federal Responsibilities. The FDPIR is operated through a partnership between State distributing agencies or Indian tribal organizations and the Food and Nutrition Service. The grantee agency is responsible for certifying recipient eligibility, local warehousing and transportation of commodities, distribution of commodities to recipient households, and program integrity.

The federal government pays 100 percent of the cost of commodities distributed through the program. In addition, cash payments are made to distributing agencies to assist them in meeting the administrative expenses incurred in operating a food distribution program. In Fiscal Year 1989, the Federal Government expects to pay about 79 percent of distributing agencies' administrative expenses. Included among these costs are local warehousing and transportation of commodities, utilities, salaries and equipment.

Nutrition Program for the Elderly.

Overview of Program Development. Food assistance for the Nutrition Program for the Elderly is authorized by Titles III and VI of the Older Americans Act of 1965. The Older Americans Act Amendments of 1987 (P.L. 100-175) reauthorized the program through Fiscal Year 1991. The cash and commodities provided are used in preparing meals which are served in senior citizen centers and similar settings or delivered to the home-bound elderly. These meals are the focal point of the nutrition projects for the elderly which have the dual objectives of promoting better health and reducing the isolation of old age.

The Nutrition Program for the Elderly is a U.S. Department of Health and Human Services (HHS) program authorized by Titles III and VI of the Older Americans Act of 1965. USDA supplements HHS programs for the elderly with commodities and/or cash in lieu of commodities for meals served under the provisions of Title III, section 311(a), Grants for State and Community Programs on Aging, and Title VI, Grants for Indian Tribes, of the Older Americans Act of 1965 (OAA), as amended.

Eligibility and Benefits. Commodities or cash in lieu of commodities are distributed through State agencies to the local meal sites at a specific rate per meal set by law. P.L. 100-175 set the rate at 56.76 cents per meal through Fiscal Year 1991. Some States elect to take all of their subsidies in cash and some States choose to receive a combination of cash and commodities. The commodities made available to the Nutrition Program for the Elderly are generally the same as those provided to schools under the Child Nutrition Programs. In addition to the 56.76 cent per meal entitlement, States or Indian tribes which elect 20 percent of their benefits in commodities are eligible to receive such bonus commodities as USDA can make available.

Although originally a program to distribute nutritious USDA purchased commodities to senior citizen meal sites, the program has evolved primarily into a cash subsidy program. Approximately 93.5 percent of program resources are distributed to meal providers in cash.

The amount available for Fiscal Year 1989 will support 249 million meals at a reimbursement rate of 56.76 cents per meal.

State/Federal Responsibilities. State Agencies on Aging designate area Agencies on Aging to plan and coordinate the program through local outlets. The State Agencies on Aging and Indian tribal agencies request USDA-donated foods, cash in lieu of foods, or a combination of both to use in providing meals to the elderly at various sites. State agencies on aging and Indian Tribal organizations that receive commodities obtain them primarily from the State distributing agency that provides USDA foods to schools for the National School Lunch Program.

Commodity Purchases for Soup Kitchens.

Overview of Program Development. USDA has provided bonus commodities to soup kitchens and food banks in the past. In addition, the Hunger Prevention Act of 1988 mandates the purchase and distribution of \$40 million worth of commodities to soup kitchens and food banks in each of Fiscal Years 1989 and 1990, and \$32 million in Fiscal Year 1991.

Eligibility. Commodities are distributed to the States which, in turn, provide them to public and charitable institutions that maintain an established feeding operation to provide food to needy homeless persons on a regular basis as an integral part of their activities (soup kitchens). In instances when these commodities cannot be used by these organizations, States provide such commodities to other public and charitable institutions that maintain an established operation involving the provision of food or edible commodities to food pantries, soup kitchens, hunger relief centers or other food or feeding centers that provide meals or food to needy persons on a regular basis as an integral part of their normal activities.

Benefit. USDA provides commodities to States for local distribution to soup kitchens and food banks. USDA will distribute canned pork, canned luncheon meat, dry beans, dry split peas/lentils, dehydrated potatoes, canned pears, canned grapefruit juice, canned orange juice and canned sweet potatoes in Fiscal Year 1989.

State/Federal Responsibilities. Within the States, distribution to soup kitchens and food banks and payments for storage and distribution are the responsibility of State Distributing Agencies. States are responsible for requesting commodities only in quantities that can be efficiently utilized by soup kitchens and food banks and managing the distribution of commodities to local organizations. States are also responsible for ensuring that soup kitchens and food banks comply with all Federal program regulations and requirements. In addition, States are responsible for allocating administrative funds received under the Temporary Emergency Food Assistance Programs to TEFAP emergency feeding organizations, soup kitchens and food banks.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net decrease of \$3,125,000 in the appropriation for the Food Distribution Program on Indian Reservations and in the Pacific Islands (\$57,854,000 available in Fiscal Year 1989).

(a) An increase of \$2,375,083 for commodities in lieu of food stamps (\$41,758,043 available in Fiscal Year 1989).

Need for Change. The increase reflects higher anticipated participation and food costs.

Nature of Change. Funds requested will allow the average monthly participation in the Food Distribution Program on Indian Reservations to increase over the 1989 level.

(b) An increase of \$749,917 for State administrative expenses (\$16,095,957 available in Fiscal Year 1989).

Need for Change. The funding level for State administrative expenses is based on prior operations including adjustment for inflation. The annualization of costs associated with new tribes which entered the program during Fiscal Year 1989 increases the total funding required.

Nature of Change. An appropriation of \$16,845,874 will be needed for State administrative expenses in 1990.

Food Distribution Program

	<u>FY 1988</u> <u>Actual</u>	<u>FY 1989</u> <u>Estimate</u>	<u>FY 1990</u> <u>Estimate</u>	<u>Change</u>
<u>Indian Reservations:</u>				
Average participation	135,129	136,754	137,496	+742
Average monthly food package:				
FNS purchased	\$22.71	\$25.56	\$26.15	+\$.59
CCC bonus commodities	6.02	6.07	6.18	+\$.11
Total monthly food package	\$28.73	\$31.63	\$32.33	+\$.70
 Annual value of				
FNS purchased				
commodities	\$39,472,091	\$40,731,043	\$43,146,126	+\$2,415,083
Indian Administration Cost	14,944,185	16,095,957	16,845,874	+749,917
Pacific Islands	764,000	527,000	487,000	-40,000
Disaster Feeding	500,000	500,000	500,000	--
TOTAL FNS COST	\$55,680,276	\$57,854,000	\$60,979,000	+3,125,000
CCC bonus commodities	9,755,000	9,967,000	10,197,000	+230,000
GRAND TOTAL	<u>\$65,435,276</u>	<u>\$67,821,000</u>	<u>\$71,176,000</u>	<u>+3,355,000</u>

- (2) An increase of \$4,238,000 in the appropriation for the Nutrition Program for the Elderly (\$141,293,000 available in Fiscal Year 1989).

Need for Change. The increase would allow an increase in the number of meals served. The rate of reimbursement will not change.

Nature of Change. Increased funding will support anticipated program growth.

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Meals served (millions)	237	249	256
Rate per meal (cents)	56.76	56.76	56.76

FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Food Program Administration:

- 1 For necessary administrative expenses of the Domestic Food Programs funded under this Act, [~~\$89,223,000; of which \$5,000,000 shall be available only for simplifying procedures, reducing overhead costs, tightening regulations, improving food stamp coupon handling, and assistance in the prevention, identification, and prosecution of fraud and other violations of law:~~] \$96,830,000; Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$150,000 shall be available for employment under 5 U.S.C. 3109.

This change deletes a provision applicable to Fiscal Year 1989 and is no longer necessary.

FOOD PROGRAM ADMINISTRATION

Appropriations Act, 1989	\$89,223,000
Budget Estimate, 1990	<u>96,830,000</u>
Increase in Appropriation	<u>+7,607,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Child Nutrition	\$28,855,000	+\$2,460,000	315,000
Special Milk	161,000	+13,000	174,000
Supplemental Feeding	7,298,000	+623,000	7,921,000
Food Stamp.....	51,035,000	+4,352,000	55,387,000
Cash and Commodity Subsidies	<u>1,874,000</u>	<u>+159,000</u>	<u>2,033,000</u>
Total Available	<u>89,223,000</u>	<u>+7,607,000</u>	<u>96,830,000</u>

PROJECT STATEMENT
(On basis of appropriation)

	: <u>1988 Actual</u>	: <u>1989 Estimated</u>	: <u>1990 Estimated</u>
<u>Project</u>	: <u>Amount</u>	: <u>Staff</u>	: <u>Staff</u>
	: <u>Years</u>	: <u>Years</u>	: <u>Years</u>
1. Child Nutrition.....	\$27,674,000: 587	\$28,855,000: 603	+\$2,460,000: \$31,315,000: 620
2. Special Milk.....	154,000: 3	161,000: 3	+13,000: 174,000: 3
3. Supplemental Feeding.: 7,000,000:	149	7,298,000: 153	+623,000: 7,921,000: 157
4. Food Stamp.....	48,947,362: 1,038	51,035,000: 1,067	+4,352,000: 55,387,000: 1,095
5. Cash and Commodity	:	:	:
Subsidies	1,797,000: 38	1,874,000: 39	+159,000: 2,033,000: 40
Unobligated balance.....	255,638:	:	:
Total appropriation.....	85,828,000: 1,815	89,223,000: 1,865	+7,607,000: 96,830,000: 1,915

EXPLANATION OF PROGRAM

The Food Program Administration (FPA) appropriation funds Federal salaries and expenses necessary for the Food and Nutrition Service (FNS) to administer the U.S. Department of Agriculture's (USDA) domestic food assistance programs.

Overview. FNS was established August 8, 1969 to administer the food assistance programs. The program goals are to provide needy persons with access to a more nutritious diet, to improve the eating habits of the nation's children, and to help America's farmers by providing an outlet for the distribution of foods purchased under farmer assistance authorities.

USDA began food distribution programs more than fifty years ago and used a variant of the current Food Stamp Program in the 1930's. Over the years, the programs shown in the following table were established and are currently in operation. Most FNS programs are operated in a Federal/State partnership, with State and local agencies administering the program at the actual service delivery level. The general complexity of the programs and the number of State entities that FNS must work with are key factors influencing FPA costs.

<u>Year Begun</u>	<u>Program Name</u>	<u>Number and Types of Non-federal Partners</u>	
1936	Food Distribution Program	6	State Agencies
		84	Indian Tribes
1946	National School Lunch Program (NSLP)	55	State Education Agencies
		55	Food Distribution Agencies (Also, 20,000 School Food Authorities)
1955	Special Milk Program		(Essentially the same as NSLP)
1961	Food Stamp Program	53	State Agencies
		230,000	Food Retailers
		10,000	Financial Institutions
		37	Federal Reserve Banks
1965	Nutrition Program for the Elderly	56	State Agencies
1966	School Breakfast Program		(Essentially the same as NSLP)
1968	Child Care Food Program		(Essentially the same as NSLP)
1969	Summer Food Service Program		(Essentially the same as NSLP)
1969	Commodity Supplemental Food Program	20	State Agencies
1972	Special Supplemental Food Program for Women, Infants, and Children (WIC)	87	State Agencies (Also, 50,000 Food Retailers)
1981	Temporary Emergency Food Assistance Program	54	States Agencies
1982	Nutrition Assistance for Puerto Rico	1	State Agency

Responsibilities. FNS is responsible for paying the benefit costs and for paying a part of State administrative expenses for most food assistance programs. Depending upon how States have chosen to administer their part of the Federal/State partnership, FNS may work with the State department of human services, department of health, department of education, department on aging, department of agriculture, and/or State level commissions of other administrative units. When State law prohibits a State from disbursing program funds or where no State agency has assumed administrative responsibility, FNS assumes operation of the programs.

FNS implements program statutes through promulgating regulations and instructions; establishes operating plans and agreements for each program with each State agency; and provides training and technical assistance, funds allocation and control, program monitoring and evaluation, and program and policy development to State Agencies.

Organization. Administrative functions of FNS are managed by an Administrator, an Associate Administrator and four Deputy Administrators. Each Deputy Administrator is responsible for management of program or administrative functions, as follows:

- Food Stamp Program - policy and planning related to the Food Stamp Program including retail store compliance and monitoring investigations through field locations.
- Special Nutrition Programs - program planning, development and oversight for Child Nutrition, Supplemental Feeding Programs, Cash and Commodity Subsidies, National Commodity Processing and nutrition and technical services.
- Financial Management - accounting, budget and management information functions for all FNS programs.
- Management - personnel, equal employment opportunity, automated data processing and general administrative services.

An Office of Regional Operations manages the seven regional offices and 64 field offices. These offices maintain direct contact with State agencies which administer the FNS programs and also conduct on-site management reviews of State operations and the 230,000 retailers authorized to accept food stamps.

For Fiscal Year 1990, FNS will concentrate on improving program administration and operations within existing law. The agency believes that greater emphasis on all aspects of program integrity and efficiency will result in improved benefit delivery to recipients. Major areas of emphasis in the administration of FNS programs include:

- Implementation and operation of P.L. 100-237 mandated food distribution program enhancements which will make the system more responsive to recipient agencies, and implementation of P.L. 100-435 which refines key programs.
- Implementation and monitoring of welfare reform demonstrations, and evaluating their effectiveness so that any approaches that may be developed in these projects will be adequately understood if they are proposed for implementation on a broader scale.
- Management reviews of State operations, carried out by regional office personnel, by focusing on compliance with program regulations as well as general operational concerns. In addition to management reviews, FNS is placing increased emphasis on systematic reviews of financial operations and reporting.
- Food Stamp Program quality control reviews, to assess the States' liabilities due to excessive error rates in issuance of benefits, and the determination of enhanced funding for States with low error rates. New standards and procedures for the quality control program established by the Hunger Prevention Act of 1988 are currently being implemented.
- Continued implementation of the Information Resources Management (IRM) plan, including the acquisition of new equipment and training of staff aimed at increasing integration among existing systems and efficiency of financial and program operation data handling.
- Management reviews and technical assistance aimed at increasing the effectiveness of the Employment and Training Program in the Food Stamp Program.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase of \$7,607,000 for salaries and benefits and other expenses consisting of:(a) An increase of \$1,445,000 for additional costs to carry out the program and an additional 50 staff years.

Need for Change. This increase will offset the rising cost of goods and services, enabling the Agency to continue to provide services at current levels. Also FY 1990 budget includes an additional 50 staff years for program monitoring and management activities.

Nature of Change. The request results from the additional duties assigned to FNS by Congress, including monitoring the implementation of new laws, the requirements for new technology needed to fully use the IRM investment to date, and the significant risk to integrity represented by expanding food assistance programs, and contracting administrative resources. The additional 50 staff years will be directed towards:

- Welfare Reform Initiatives (15 staff years) -- for implementing 25 welfare reform projects.
- Commodity Program Reform (15 staff years) -- for monitoring of State Agency implementation of major regulatory changes required by Commodity legislation.
- Information Resources Management (10 staff years) -- to integrate program reporting systems, assist regions in implementing systems and to monitor contractor systems redesign projects.
- Integrated Financial Management System (10 staff years) -- staff support to manage the new IFM system.

(b) An increase of \$2,252,000 for travel and other FPA expenses.

Need for Change. In addition to standard inflationary factors, costs for non-salary expenses are increasing drastically related to advances in communication and automation technologies. As computer technologies are implemented, the cost of hardware maintenance, computer center services and contractor system support increases.

Nature of Change. The FY 1990 budget requests increased funds for communications, automation, and travel costs as follows:

- Increase Telenet costs (\$450,000) associated with computer usage, FTS increases and GSA switchboard increases.
- Information Resources Management (\$1,451,000) regular operations increases for equipment maintenance and repair, mainframe processing charges, and contract support costs.
- Travel (\$351,000) to cover estimated inflation of 3.6% and to cover additional travel costs associated with Welfare Reform initiatives and Commodity Program Reform.

(c) An increase of \$3,910,000 for continuation of the IRM Plan and Integrated Financial Management System Contract support.

Need for Change. Contract services are needed to effectively meet the needs for redesign and implementation of critical agency management systems.

Nature of Change. The amount requested will provide for significant systems development efforts for:

- Integrated Financial Management System (\$1,025,000) -- a total of \$1,700,000 to procure system development consulting services to develop and implement the new IFM System (\$675,000 available in Fiscal Year 1989). Existing systems do not meet current government-wide financial requirements. Oversight agencies have dictated a number of requirements to develop and implement an integrated financial management system, and the requirement to implement a comprehensive system of internal controls. In Fiscal Year 1989, FNS will complete short term system enhancements and implement the core IFM. In Fiscal Year 1990, FNS will continue development of the IFM by modifying existing IFM systems, developing subsystems and providing interfaces. Included are the modification or redesign of four major systems: the Grant Award Document System, the Regional Office Administered Program System, the Letter of Credit System and the Accounts Receivable System.
- Information Resources Management Long Range Plan (\$2,885,000) -- a total of \$5,685,000 for the fifth year requirements of the FNS IRM Plan (\$2,800,000 available in Fiscal Year 1989). This level will enable the Agency to complete planned systems architecture and to implement various automated headquarters and regional program information systems. Major efforts will be to automate FNS field offices, which require equipment purchases and installation, and field staff training.

The following table shows Agency IRM Plan estimates by appropriation for Fiscal Years 1988-1990:

Information Resources Management Long Range Plan
by Appropriation
(\$000)

<u>Appropriation</u>	<u>1988 Actual</u>	<u>1989 Est.</u>	<u>Program Changes</u>	<u>1990 Est.</u>
Food Program Administration	\$3,636	\$2,800	+\$2,885	\$5,685
Child Nutrition Program	690	1,680	+320	2,000
Food Stamp Program	<u>2,249</u>	<u>2,595</u>	<u>+96</u>	<u>2,691</u>
Total	<u>6,575</u>	<u>7,075</u>	<u>+3,301</u>	<u>10,376</u>

GENERAL PROVISIONS

The estimates include General Provisions language as follows (new language underscored; deleted matter enclosed in brackets):

Section 601: Limits expenditures on consulting services obtained through procurement contracts to contracts of public record.

Sec. 601. The expenditure of any appropriation under this Act for any consulting service through procurement contract, pursuant to 5 U.S.C. 3109, shall be limited to those contracts where such expenditures are a matter of public record and available for public inspection, except where otherwise provided under existing law, or under existing Executive order issued pursuant to existing law.

Section 602: Provides authority for the purchase, replacement, and hire of passenger motor vehicles. The following changes are proposed in this section for 1990:

Sec. 602. Within the unit limit of cost fixed by law, appropriations and authorizations made for the Department of Agriculture for the
 1 fiscal year [1989] 1990 under this Act shall be available for the
 purchase, in addition to those specifically provided for, of not to
 2,3 exceed [694] 513 passenger motor vehicles, of which [689] 508 shall
 be for replacement only, and for the hire of such vehicles.

The first change adds language making this section of the General Provisions applicable to fiscal year 1990.

The second and third changes revise the total number of passenger motor vehicles to be acquired in fiscal year 1990. The estimates propose the acquisition of 513 passenger motor vehicles. Of this amount 508 would be acquired to replace existing vehicles and 5 would be additions to the fleet. Of the 5 vehicles to be acquired without exchange, 1 to replace a light truck type vehicle owned by the Foreign Agricultural Service; 3 are to be used by the Agricultural Marketing Service to provide a means of transportation for graders in the Imported Tobacco Inspection Program; and 1 for use by the National Agricultural Statistics Service.

Section 603: Provides that funds available to the Department of Agriculture shall be available for uniforms or uniform allowances.

Sec. 603. Funds in this Act available to the Department of Agriculture shall be available for uniforms or allowances therefore as authorized by law (5 U.S.C. 5901-5902).

Section 604: Provides that not less than \$1,500,000 of the appropriations of the Department for research and service work authorized by the Acts of August 14, 1946, July 28, 1954, and September 6, 1958 (7 U.S.C. 427, 1621-1629; 42 U.S.C. 1891-1893), shall be available for contracting in accordance with these Acts.

Sec. 604. Not less than \$1,500,000 of the appropriations of the Department of Agriculture in this Act for research and service work authorized by the Acts of August 14, 1946 and July 28, 1954, and (7 U.S.C. 427, 1621-1629), and by chapter 63 of title 31, United States Code, shall be available for contracting in accordance with said Acts and chapter.

Section 605: Prohibits the use of funds in this Act to make production or other payments to a person, persons, or corporations who harvest or knowingly permit to be harvested for illegal use, marijuana, or other prohibited drug-producing plants on lands owned or controlled by such persons or corporations.

Sec. 605. No part of the funds contained in this Act may be used to make production or other payments to a person, persons, or corporations upon a final finding by court of competent jurisdiction that such party is guilty of growing, cultivating, harvesting, processing or storing marijuana, or other such prohibited drug-producing plants on any part of lands owned or controlled by such persons or corporations.

Section 606: Provides that advances of money from any appropriation in this Act for the Department of Agriculture may be made by authority of the Secretary of Agriculture to chiefs of field parties.

Sec. 606. Advances of money to chiefs of field parties from any appropriation in this Act for the Department of Agriculture may be made by authority of the Secretary of Agriculture.

Section 607: Provides a limitation on the cumulative total of transfers to the Working Capital Fund for the purpose of accumulating growth capital for data services and National Finance Center operations.

Sec. 607. The cumulative total of transfers to the Working Capital Fund for the purpose of accumulating growth capital for data services and National Finance Center operations shall not exceed \$2,000,000: Provided, That no funds in this Act appropriated to an agency of the Department shall be transferred to the Working Capital Fund without the approval of the agency administrator.

Section 608: Provides that certain funds are to remain available until expended.

- Sec. 608. New obligational authority provided for the following appropriation items in this Act shall remain available until
- 1 expended: Public Law 480; [Mutual and Self-Help Housing;] Watershed and Flood Prevention Operations; Resource Conservation and Development; Colorado River Basin Salinity Control Program; Animal and Plant Health Inspection Service, \$4,500,000 for the contingency fund to meet emergency conditions, and buildings and facilities; Agricultural Stabilization and Conservation Service, salaries and expenses funds made available to county committees; the Federal Crop Insurance Corporation Fund; Agricultural Research Service, buildings
 - 2 and facilities; [Scientific Activities Overseas (Foreign Currency Program); Dairy Indemnity Program; \$5,000,000 for the grasshopper and Mormon cricket control program, Animal and Plant Health Inspection Service; \$2,852,000] \$3,000,000 for higher education training grants under section 1417(a)(3)(B) of Public Law 95-113, as amended (7 U.S.C. 3152(a)(3)(B)); and buildings and facilities, Food and Drug Administration.

The first and second changes delete the respective accounts. There are no program funds requested for these accounts.

Section 609: Provides that no part of any appropriation in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

Sec. 609. No part of any appropriation contained in this Act shall remain available for obligation beyond current fiscal year unless expressly so provided herein.

Section 610: Provides a limitation on the amount of funds available to provide orientation and language training for families of officers and employees of the Department in anticipation of an assignment abroad of such officers and employees or while abroad, pursuant to Public Law 94-449.

Sec. 610. Not to exceed \$50,000 of the appropriation available to the Department of Agriculture in this Act shall be available to provide appropriate orientation and language training pursuant to Public Law 94-449.

Section 611: Provides that employees of the agencies of the Department of Agriculture may be utilized to provide part-time and intermittent assistance to other agencies of the Department, without reimbursement, during periods when they are not otherwise fully utilized.

Sec. 611. Notwithstanding any other provision of law, employees of the agencies of the Department of Agriculture, including employees of the Agricultural Stabilization and Conservation county committees, may be utilized to provide part-time and intermittent assistance to other agencies of the Department, without reimbursement, during periods when they are not otherwise fully utilized, and ceilings on full-time equivalent staff years established for or by the Department of Agriculture shall exclude overtime as well as staff years expended as a result of carrying out programs associated with natural disasters, such as forest fires, droughts, floods, and other acts of God.

Section 612: Requires that funds provided by this Act for personnel compensation and benefits shall be available for obligation for that purpose only.

[Sec. 612. Funds provided by this Act for personnel compensation and benefits shall be available for obligation for that purpose only.]

This change deletes the entire section 612. This change is requested in order to permit the Secretary, his policy staff and program managers the flexibility needed to carry out responsibilities to see that the programs of the Department are operated in the most efficient and effective manner.

Section 613: Limits expenditure of funds on contracts for services to those awarded in accordance with existing law.

[Sec. 613. No part of any appropriation contained in this Act shall be expended by any executive agency, as referred to in the Office of Federal Procurement Policy Act (41 U.S.C. 401 et seq.), pursuant to any obligation for services by contract, unless such executive agency has awarded and entered into such contract as provided by law.]

This change deletes the entire section 613. This provision is unnecessary because funds are expended on contracts for services that are awarded in accordance with existing law.

Section 614: Prohibits use of funds to enforce regulations that have been disapproved in accordance with applicable law.

[Sec. 614. None of the funds appropriated or otherwise made available by this Act shall be available to implement, administer, or enforce any regulation which has been disapproved pursuant to a resolution of disapproval duly adopted in accordance with the applicable law of the United States.]

This change deletes the entire section 614. Funds of this Department are not available to implement regulations disapproved by the Congress in accordance with the applicable law of the United States.

Section 615: Specifies the minimum amount of certificates of beneficial ownership that must be sold by the Farmers Home Administration during the fiscal year.

[Sec. 615. Certificates of beneficial ownership sold by the Farmers Home Administration in connection with the Agricultural Credit Insurance Fund, Rural Housing Insurance Fund, and the Rural Development Insurance Fund shall be not less than 65 per centum of the value of the loans closed during the fiscal year.]

This change deletes the entire section 615. The language now restricts financing of the revolving funds by FmHA and may actually increase the interest costs to the revolving fund. Both the CBO sale to the FFB and Treasury borrowings are now treated as an asset transfer. The Department has concluded that Treasury borrowing is a cheaper method of financing the funds compared to CBO sales because of the prepayment penalties associated with sales to the FFB and will not sell CBO's to the FFB in 1990.

Section 616: Limits the negotiated indirect cost rates on cooperative agreements between the Department and nonprofit institutions to 10 per centum of the value of the agreement.

Sec. [616] 612. No funds appropriated by this Act may be used to pay negotiated indirect cost rates on cooperative agreements or similar arrangements between the United States Department of Agriculture and nonprofit institutions in excess of 10 per centum of the total direct cost of the agreement when the purpose of such cooperative arrangements is to carry out programs of mutual interest between the two parties. This does not preclude appropriate payment of indirect costs on grants and contracts with such institutions when such indirect costs are computed on a similar basis for all agencies for which appropriations are provided in this Act.

This change renumbers the section due to deletion of other sections.

Section 617: Funds shall not be used to carry out any activity related to the phasing out of the Resource Conservation and Development Program.

[Sec. 617. None of the funds in this Act shall be used to carry out any activity related to phasing out the Resource Conservation and Development Program.]

This change deletes the entire section 617. The budget does not propose to eliminate this program.

Section 618: Ensures the Commodity Credit Corporation's right and obligation to sell surplus commodities in world trade at competitive prices.

Sec. [618] 613. None of the funds in this Act shall be used to prevent or interfere with the right and obligation of the Commodity Credit Corporation to sell surplus agricultural commodities in world trade at competitive prices as authorized by law.

This change renumbers the section due to the deletion of other sections.

Section 619: Enables the Secretary of Agriculture to provide commodities to individuals in certain hardship situations.

Sec. [619] 614. Notwithstanding any other provision of this Act, commodities acquired by the Department in connection with Commodity Credit Corporation and section 32 price support operations may be used, as authorized by law (15 U.S.C. 714c and 7 U.S.C. 612c), to provide commodities to individuals in cases of hardship as determined by the Secretary of Agriculture.

This change renumbers the section due to the deletion of other sections.

Section 620: Requires that before any funds may be paid from the Treasury, or any other fund of a Government corporation, with respect to laws made and credits extended to the Polish People's Republic, that Republic must have been declared to be in default of its debt or the President on a monthly basis, must justify payments as serving the national interest.

[Sec. 620. During fiscal year 1989, notwithstanding any other provision of law, no funds may be paid out of the Treasury of the United States or out of any fund of a Government corporation to any private individual or corporation in satisfaction of any assurance agreement or payment guarantee or other form of loan guarantee entered into by any agency or corporation of the United States Government with respect to loans made and credits extended to the Polish People's Republic, unless the Polish People's Republic has been declared to be in default of its debt to such individual or corporation or unless the President has provided a monthly written report to the Speaker of the House of Representatives and the President of the Senate explaining the manner in which the national interest of the United States has been served by any payments during the previous month under loan guarantee or credit assurance agreement with respect to loans made or credits extended to the Polish People's Republic in the absence of a declaration of default.]

This change deletes the entire section. Allowing the Polish People's Republic to declare default would preclude the recovery of funds owed and create a precedent for other countries to pursue in times of economic hardship.

Section 621: Limits the expenditure of appropriated funds for space rental and related costs - to that level included in the 1989 budget.

Sec. [621] 615. None of the funds in this Act shall be available to reimburse the General Services Administration for payment of space rental and related costs in excess of the amounts specified in this Act; nor shall this or any other provision of law require a reduction in the level of rental space or services below that of fiscal year [1988] 1989 or prohibit an expansion of rental space or services with the use of funds otherwise appropriated in this Act. Further, no agency of the Department of Agriculture, from funds otherwise available, shall reimburse the General Services Administration for payment of space rental and related costs provided to such agency at a percentage rate which is greater than is available in the case of funds appropriated in this Act.

This change rennumbers the section due to the deletion of other sections.

Section 622: Requires that not less than twenty construction starts will be initiated in FY 1989, under the Watershed Protection and Flood Prevention Act, P.L. 566 (not less than twenty new projects), and the Flood Prevention Act, P.L. 534 (not less than five new projects).

[Sec. 622. In fiscal year 1989, the Secretary of Agriculture shall initiate construction on not less than twenty new projects under the Watershed Protection and Flood Prevention Act (Public Law 566) and not less than five new projects under the Flood Control Act (Public Law 534).]

This change deletes the entire section. The water resource programs are proposed to be funded at a reduced funding level for fiscal year 1990. At the reduced funding level project managers would be more selective in making planning and construction start commitments.

Section 623: Provides that funds may be used for translating certain USDA publications.

Sec. [623] 616. Funds provided by this Act may be used for translation of publications of the Department of Agriculture into foreign languages when determined by the Secretary to be in the public interest.

This change rennumbers the section due to deletion of other sections.

Section 624: Precludes the relocation of the FmHA State Office in Hawaii.

[Sec. 624. None of the funds appropriated by this or any other Act may be used to relocate the Hawaii State Office of the Farmers Home Administration from Hilo, Hawaii, to Honolulu, Hawaii.]

This change deletes the entire section. This change is requested in order to permit the Secretary and his staff in the Farmers Home Administration the flexibility needed to carry out the mission of that agency.

Section 625: Exempts veterinarians from constraints on personal services contracts under existing law.

Sec. [625] 617. Provisions of law prohibiting or restricting personal services contracts shall not apply to veterinarians employed by the Department to take animal blood samples, test and vaccinate animals, and perform branding and tagging activities on a fee-for-service basis.

This change rennumbers the section due to the deletion of other sections.

Section 626: Establishes minimum staff year floors for certain agencies.

[Sec. 626. None of the funds provided in this Act may be used to reduce programs by establishing an end-of-year employment ceiling on full-time equivalent staff years below the level set herein for the following agencies: Food and Drug Administration, 7,350; Farmers Home Administration, 12,675; Agricultural Stabilization and Conservation Service, 2,550; Rural Electrification Administration, 550; and Soil Conservation Service, 14,177.]

This change deletes the entire section. This change is requested in order to permit the Secretary the flexibility needed to carry out the programs of the Department in the most efficient and effective manner.

Section 627: Funds appropriated for one-year contracts which extend over two years are to be obligated in the year for which the funds are appropriated.

Sec. [627] 618. Funds provided in this Act may be used for one-year contracts which are to be performed in two fiscal years so long as the total amount for such contracts is obligated in the year for which the funds are appropriated.

This change renumbers the section due to the deletion of other sections.

Section 628: Funds may be applied only to the objects for which appropriations were made.

Sec. [628] 619. Funds were appropriated by this Act shall be applied only to the objects for which appropriations were made except as otherwise provided by law, as required by 31 U.S.C. 1301.

This change renumbers the section due to the deletion of other sections.

Section 629: No funds are to be available to restrict the Commodity Credit Corporation from leasing space for its own use or to lease space for others when the space will be jointly occupied.

Sec. [629] 620. None of the funds in this Act shall be available to restrict the authority of the Commodity Credit Corporation to lease space for its own use or to lease space on behalf of other agencies of the Department of Agriculture when such space will be jointly occupied.

This change renumbers the section due to the deletion of other sections.

Section 630: Prohibits the release of information acquired in connection with the administration of marketing orders, other than aggregate data.

[Sec. 630. None of the funds provided in this Act may be expended to release information acquired from any handler under the Agricultural Marketing Agreement Act of 1937, as amended: Provided, That this provision shall not prohibit the release of information to other Federal agencies for enforcement purposes: Provided further, That this provision shall not prohibit the release of aggregate statistical data used in formulating regulations pursuant to the Agricultural Marketing Agreement Act of 1937, as amended: Provided further, That this provision shall not prohibit the release of information submitted by milk handlers.]

This change deletes the whole section. The Department considers the handler affiliation of particular growers and all other commercial or financial information submitted by handlers to be confidential and exempt from disclosure under the FOIA pursuant to the Agricultural Marketing Act of 1937.

Section 631: Prohibits the use of private debt collection agencies by the Farmers Home Administration.

[Sec. 631. Unless otherwise provided in this Act, none of the funds appropriated or otherwise made available in this Act may be used by the Farmers Home Administration to employ or otherwise contract with private debt collection agencies to collect delinquent payments from Farmers Home Administration borrowers.]

This change deletes the whole section. This change is requested in order to permit the Secretary, his policy staff and program managers the flexibility needed to carry out the efficient operation of these programs.

Section 632: Prohibits the use of funds appropriated in this Act or any other Act, by any Federal agency to alter the method of computing normalized prices for agricultural commodities in evaluating water resources development projects.

[Sec. 632. Hereafter, none of the funds appropriated in this Act or any other Act shall be used to alter the method of computing normalized prices for agricultural commodities for use by any Federal agency in evaluating water resources development projects to be undertaken in whole or in part with Federal funds that was in effect as of January 1, 1986.]

This change deletes the whole section. This provision became permanent law.

Section 633: No funds made available under the Act shall be used to sell loans made by the Agricultural Credit Insurance Fund.

[Sec. 633. None of the funds in this Act, or otherwise made available by this Act, shall be used to sell loans made by the Agricultural Credit Insurance Fund. Also, none of the funds in this Act, or otherwise made available by this Act, shall be used to sell or offer for borrower prepayment more loans from the Rural Development Insurance Fund than needed to realize net proceeds of \$584,000,000, the total level authorized by the Omnibus Reconciliation Act of 1986, Public Law 99-509, and the Continuing Appropriations Act of 1987, Public Law 99-591. Further, Rural Development Insurance Fund loans offered for sale in fiscal year 1989 shall be first offered to the borrowers for prepayment. Borrowers who rejected prepayment offers in fiscal year 1988 shall remain eligible for prepayment in fiscal year 1989.]

This change deletes the entire section. It is requested in order to allow the Secretary, his policy staff and program managers the flexibility needed to operate in the most efficient and effective manner. The fiscal year 1990 budget does not include sales of loans made by the Agricultural Credit Insurance Fund.

Section 634: Establishes a limit on the amount of forfeitures a producer could make with respect to loans made to the producer on a crop of honey.

[Sec. 634. (a) Effective beginning with the 1989 crop year for honey, section 405 of the Agricultural Act of 1949 (7 U.S.C. 1425) is amended, in the text of subsection (a) (as so designated by section 1004(1) of the Food Security Act of 1985 effective for the 1986 through 1990 crops), by striking out "No producer" and inserting in lieu thereof "Except as otherwise provided in section 405A, no producer".

(b) The Agricultural Act of 1949 is amended by inserting after section 405 the following new section:

"Sec. 405A. (a) A producer of honey may satisfy the producer's obligation to repay a loan, or a portion of a loan, made to the producer under section 201(b) of this Act by forfeiting the collateral for the loan, or portion of the loan, only if the value of the collateral forfeited, when taken together with the value of the collateral forfeited on any other loan or loans of the producer for such crop of honey under section 201(b), does not exceed \$250,000: Provided, however, That the loan forfeiture limitation provided by this section shall not be applicable for any crop year for which the Secretary does not permit producers of honey to repay the price support loans at a level determined under section 201(b)(2)(B).

"(b) The producer of honey shall be personally liable for the repayment of a loan or loans made to the producer under the program for the crop of honey involved, with respect to that portion of the loan or loans for which satisfaction of the loan by forfeiture, as provided in subsection (a), is prohibited.

"(c) The loan contracts of the Commodity Credit Corporation entered into with producers of honey shall clearly indicate the extent to which a producer of honey may be personally liable for repayment of a loan under this section.

"(d) The Commodity Credit Corporation may issue such regulations as the Corporation deems necessary to carry out this section.".]

This change deletes the entire section. This became part of permanent law.

Section 635: Limits the targeted export assistance program to \$200,000,000 and places \$30,000,000 in reserve to be released by the Secretary only if required.

[Sec. 635. None of the funds appropriated or otherwise made available by this Act shall be used to pay the salaries of personnel who carry out a targeted export assistance program under section 1124 of the Food Security Act of 1985 if the aggregate amount of funds and/or commodities under such program exceeds \$200,000,000: Provided, That \$30,000,000 shall be held in reserve to be released by the Department of Agriculture only if required.]

This change deletes the entire section. The targeted export assistance program is carried out pursuant to Section 1124 of the Food Security Act of 1985 and under authority provided by the Commodity Credit Corporation Charter Act. This provision unnecessarily limits the Department's ability to carry out this program under these statutory authorities.

Section 636: Limits the export enhancement program to \$770,000,000.

[Sec. 636. None of the funds appropriated or otherwise made available by this Act shall be used to pay the salaries of personnel who carry out an export enhancement program (estimated to be \$900,000,000 in the President's fiscal year 1989 Budget Request) if the aggregate amount of funds and/or commodities under such programs exceeds \$770,000,000.]

This change deletes the entire section. The export enhancement program is carried out under authority provided by the Commodity Credit Corporation Charter Act. This provision unnecessarily limits the Department's ability to carry out this program under these statutory authorities.

Section 637: Specifies the amount of loan prepayments to be applied to the electric and telephone programs, respectively.

[Sec. 637. No later than 30 days after enactment of this Act, funds provided in this Act shall be used to implement section 633 of the "Rural Development, Agriculture and Related Agencies Appropriations Act, 1988", and, within the authorities provided in such section, shall allocate \$150,000,000 in prepayments to telephone program borrowers and \$350,000,000 in prepayments to electric program borrowers.]

This change deletes the entire section. The fiscal year 1990 budget does not include any prepayments under existing legislation.

Section 638: Prohibits the use of funds to regulate the order or sequence of advances of funds to a borrower.

[Sec. 638. None of the funds in this Act, or otherwise made available by this Act, shall be used to regulate the order or sequence of advances of funds to a borrower under any combination of approved telephone loans from the Rural Electrification Administration, the rural Telephone Bank or the Federal Financing Bank.]

This change deletes the entire section. This is requested in order to permit the Secretary, his policy staff and program managers the flexibility needed to carry out the program.

Section 639: Provides for a \$20,000,000 program for sunflower and cottonseed oil, as authorized by law.

[Sec. 639. In fiscal years 1989 and 1990, \$20,000,000 of section 32 funds shall be used to purchase sunflower and cottonseed oil, as authorized by law, such purchases to facilitate additional sales of such oils in world markets at competitive prices, so as to compete with other countries: Provided, That these funds shall be in addition to funds made available for this purpose by the Rural Development, Agriculture, and Related Agencies Appropriations Act, 1988 (Public Law 100-202.)]

This change deletes the entire section. Statutory authority to provide export assistance for sunflower and cottonseed oils is provided by the Commodity Credit Corporation Charter Act. This language is unnecessary and limits the Department's ability to carry out export promotion activities in response to changing conditions.

Section 640: Provides for a sugar re-export program.

[Sec. 640. Within 30 days of the enactment of this section the Secretary of Agriculture may establish and operate a program for fiscal year 1989 as follows:

(a) The Secretary shall make available to sugar refiners, operators and processors commodities acquired by the Commodity Credit Corporation at such levels as the Secretary determines necessary to permit such refiners, operators or processors to purchase in the amounts specified below raw sugar grown in the Republic of the Philippines and countries designated as beneficiary countries pursuant to section 212 of the Caribbean Basin Economic Recovery Act (19 U.S.C. 2702) at prices equivalent to the market price for raw cane sugar in the United States on the condition that an equivalent amount of sugar refined in the United States is exported to world markets within 60 days. The Secretary shall make such commodities available on the basis of competitive bids and shall have discretion to accept or reject bids under such criteria as the Secretary determines appropriate. Generic certificates shall be issued in lieu of commodities acquired by the Commodity Credit Corporation under the program established under this section.

(b) The Secretary shall make available sufficient commodities to permit the importation of no less than 290,000 short tons of sugar, raw value, from the beneficiary countries specified in subsection (a), and no less than 110,000 short tons of sugar, raw value, from the Republic of the Philippines. Sugar imported under the program authorized under this section shall be in addition to any sugar quota level established for the countries specified in subsection (a) pursuant to headnote 3 of schedule 1, part 10, subpart A of the Tariff Schedules of the United States (9 U.S.C. 1202).

(c) In order to maximize the number of competing bidders, the Secretary shall, in determining the low bidders in the program established under this section, make appropriate adjustments in bids received from sugar refiners, operators and processors to reflect differing transportation costs based on refinery and factory location.

(d) The program authorized under this section shall be in addition to, and not in place of, any authority granted to the Secretary or the Commodity Credit Corporation under any other provision of law.

(e) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

(f) Nothing in this section shall be deemed to increase the appropriation for any program administered by the United States Department of Agriculture.

(g) The Secretary may provide such other terms and conditions as the Secretary determines appropriate to carry out this section.]

This change deletes the entire section. This language is unnecessary and provides discretionary authority for a program during fiscal year 1989 which has not been implemented. This program would establish a precedent of using assets of the Commodity Credit Corporation to subsidize foreign sugar production.

Section 641: Clarifies Congressional intent with respect to the Older Americans Act Amendments of 1987.

[Sec. 641. (a) Section 17(p) of the National School Lunch Act (42 U.S.C. 1766(p)) is amended by adding at the end thereof the following new paragraph:

"(4) For the purpose of establishing eligibility for free or reduced-price meals or supplements under this subsection, income shall include only the income of an eligible person and, if any, the spouse and dependents with whom the eligible person resides."

(b) Section 17(p) of such Act (as amended by subsection (a) of this section) is amended by adding at the end thereof the following new paragraph:

"(5) A person described in paragraph (1) shall be considered automatically eligible for free meals or supplements under this subsection, without further application or eligibility determination, if the person is--

"(A) a member of a household receiving assistance under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.); or

"(B) a recipient of assistance under title XVI or XIX of the Social Security Act (42 U.S.C. 1381 et seq.)."

(c) Subparagraph (A) of section 17(p)(3) of such Act is amended to read as follows:

"(A) The Secretary, in consultation with the Commissioner on Aging, shall establish, within 6 months of enactment, separate guidelines for reimbursement of institutions described in this subsection. Such reimbursement shall take into account the nutritional requirements of eligible persons, as determined by the Secretary on the basis of tested nutritional research, except that such reimbursement shall not be less than would otherwise be required under this section."

This change deletes the entire section. This became part of permanent law.

Section 642: Pertains to the funding of fiscal year 1989 pay raise.

[Sec. 642. Such sums as may be necessary for fiscal year 1989 pay raises for programs funded by this Act shall be absorbed within the levels appropriated in this Act.]

This change deletes the entire section. The fiscal year 1990 budget assumes a pay raise of 2 percent for civilian employees and that each agency absorb 75 percent of the increased costs.

Section 644: Requires grantees receiving Federal funds to disclose the percentage of the total project or program cost that is Federally funded and the amount of Federal funds involved.

[Sec. 644. When issuing statements, press releases, requests for proposals, bid solicitations, and other documents describing projects or programs funded in whole or in part with Federal money, all grantees receiving Federal funds, including but not limited to State and local governments, shall clearly state (1) the percentage of the total cost of the program or project which will be financed with Federal money, and (2) the dollar amount of Federal funds for the project or program.]

This change deletes the entire section.

Section 645: Provides for a limitation on the use of funds rather than a change in the basic law with respect to implementing cost-containment procedures for acquiring WIC foods.

Sec. [645] 621. Effective August 30, 1989, none of the funds available in this Act for the Special Supplemental Food Program for Women, Infants, and children (WIC) may be used by a State if that State has not examined the feasibility of implementing cost containment procedures described in section 3 of the Commodity Distribution Reform Act and WIC amendments of 1988 (7 U.S.C. 612c note)(including infant formula rebates) for acquiring infant formula and, where practicable, other foods that are necessary to carry out such program, and if the State has determined that such a procedure would lower costs and enable more eligible persons to be served (without interference with the delivery of nutritious foods to recipients) and has not initiated action to implement such procedures. The Secretary may extend the effective date of implementation on a case-by-case basis where necessary.

This change renumbers the section due to the deletion of other sections.

Section 646: Pertains to the trust fund assessment procedure provided for in the Agricultural Credit Act of 1987.

[Sec. 646. Effective October 1, 1989, section 6.29 of the Farm Credit Act of 1971 (12 U.S.C. 2278b-9) is amended by--

(1) in subsection (a)(1), striking out "Except as provided in paragraph (2)," and inserting in lieu thereof "Except as provided in paragraphs (2) and (3),",

(2) adding at the end of subsection (a) the following new paragraph:

"(3) PERIODIC PURCHASES--(A) Notwithstanding any other provision of this section, the Financial Assistance Corporation shall establish a program under which System institutions shall purchase, as debt obligations are issued under section 6.26(a), stock of the Corporation in amounts described in this paragraph.

"(B) The program shall provide, with respect to each issuance of debt obligations under section 6.26(a), that each System institution originally required to purchase stock under paragraph (1), or the successor thereto, shall purchase Corporation stock in an amount determined by multiplying the amount of stock such institution was originally required to purchase under that paragraph by a percentage equal to the percentage which the amount of stock such institution was originally required to purchase under that paragraph by a percentage equal to the percentage which the amount of the issuance bears to \$4,000,000,000.

"(C) The Financial Assistance Corporation shall promptly rescind purchases of stock of the Corporation made under paragraph (1) or (2) by System institutions and refund to such institutions, or their successors, the purchase price for the stock, except that, with respect to each issuance of debt obligations that occurs before October 1, 1988, the Corporation shall deduct from any refund due any System institution, and retain, the amount payable by such institution."

(3) in subsection (c)--

(A) striking out "Within" and inserting in lieu thereof "(a) Within",

(B) striking out "(1) the" and inserting in lieu thereof "(A) the", and

(C) striking out "(2) in the case" and inserting in lieu thereof "(B) in the case", and

(4) adding at the end thereof the following new paragraph:

"(2) Not later than 15 days before each issuance of debt obligations under section 6.26(a) occurring after September 30, 1988, the Financial Assistance Corporation shall notify each System institution required to purchase Corporation stock under subsection (a)(3) of the amount of the stock it is required to purchase".]

This change deletes the entire section. It became part of permanent law.

Section 622: Expands the current authorization for hiring employees for certain emergency situations in addition to firefighting.

Sec. 622. 7 U.S.C. 2226 is amended by deleting "emergency forest fire fighting and pest control" and substituting "emergencies such as fire, flood, storm, or any other unavoidable cause.".

This change provides for the ability to quickly employ persons for emergency situations.

